Austria ... Sch22	Indonesia ... Rp3100	Portugal ... Esc100
Bahrain ... Din0.650	Israel ... NIS3.50	S.Arabia ... Rls6.00
Belgium ... BFr48	Italy ... L1600	Singapore ... S$4.10
Canada ... C$1.00	Japan ... Y600	Spain ... Pta125
Cyprus ... C£0.75	Jordan ... Fils500	Sri Lanka ... Rup30
Denmark ... DKr9.00	Kuwait ... Fils500	Sweden ... SKr8.00
Egypt ... E£2.25	Lebanon ... $L125.00	Switzerland SFr2.20
Finland ... Fmk7.00	Luxembourg ... LFr48	Taiwan ... NT$85
France ... FFr6.50	Malaysia ... Rin4.25	Thailand ... Bht50
Germany ... DM2.20	Mexico ... Pes300	Tunisia ... Din0.800
Greece ... Dr100	Morocco ... Dh6.00	Turkey ... L500
Hong Kong ... HK$12	Netherlands ... Fl3.00	UAE ... Dh6.50
India ... Rup15	Norway ... Nkr8.00	USA ... $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Ø No. 30,420 Monday December 21 1987 D 8523 A

Brazil: Row looms over Sarney's delays, Page 16

World News

Afghanistan offensive against insurgents

Afghan Government troops have launched an *offensive against* about 9,000 Moslem insurgents in south-east Afghanistan near the Pakistan border, Soviet television said. **Page 2**

Maghreb unity plan

The foreign ministers of Algeria, Mauritania and Tunisia met in Algiers yesterday to discuss ways of making their friendship treaty the basis of unity among the five Maghreb states. **Page 2**

Fiji air link

Air New Zealand is to resume regular flights to Fiji ending a seven-month interruption following the military coup and attempted hijacking of a Boeing 747 at Nadi airport in May. **Page 2**

Christmas cheer

US forces in West Germany hit by the falling dollar can expect to enjoy extra Christmas cheer this year, thanks to DM4m ($2.4m) donated by West German big business. **Page 2**

India alert

India has ordered its diplomatic missions in neighbouring countries to try to trace a Soviet physicist who disappeared from a tour group in Delhi on Friday. **Page 2**

Sniffer dog row

A fresh political row has broken out between Britain and Iran following a dispute at London's Heathrow airport over the use of sniffer dogs by customs officials. **Page 2**

Berlin reunion

East Germany has allowed the emigration to West Berlin of a mother and child split from their family by the Berlin Wall, after a four-year battle. **Page 2**

Election fraud alleged

Suspicion is emerging that South Korean voters *may have* experienced *high-technology* election fraud with computer manipulation of results in last week's presidential election, won by the ruling party. **Page 3**

Filipino killed

A Filipino soldier was killed and a number of others injured yesterday, a day after President Corazon Aquino invoked the seasonal spirit of peace to order a four-day ceasefire in the guerrilla war. **Page 3**

Tanzania to intervene

Tanzania is to try to intervene in the border clashes between Uganda and Kenya which broke out last week, Ugandan officials said. **Page 3**

Riyadh talks

Fears of further escalation in the Iran-Iraq war are expected to dominate the agenda of Gulf Arab foreign ministers who meet in Riyadh today to prepare for a *regional summit*. **Page 2**

Liberal Party row

Mr David Steel, leader of Britain's Liberal Party, has rejected the call from his party's *council to renegotiate* with the Social Democratic Party the preamble to the draft constitution of the *proposed merged party*. **Page 4**

Soviet countdown

A three-man Soviet cosmonaut team lifts off from a central Asian launch site today on a mission to a new first in space history – the start of permanent occupation of the Mir orbiting station.

Mozambique recovery

Mozambique, wracked by prolonged civil war but now emerging from economic collapse with aid of an IMF recovery plan, says it will achieve 6 per cent growth next year.

Kasparov triumph

Garry Kasparov received the world chess champion's red sash and laurel wreath and a prize of SFr1.5m ($1.1m) at a formal closing ceremony in Seville's medieval Moorish palace on Saturday after winning the final game against Anatoly Karpov.

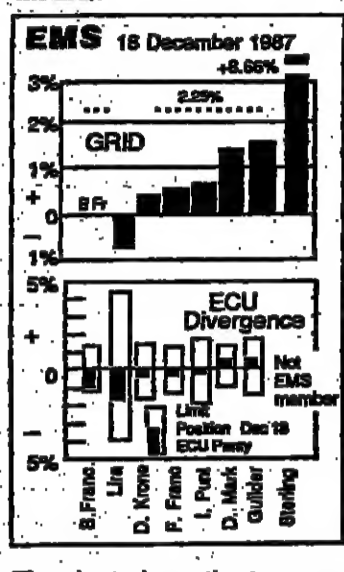
Business Summary

SAS may delay new offer for UK carrier

SAS, Scandinavian airline, may not *raise its partial offer* for British Caledonian, the UK carrier, until after Christmas. Expectations that SAS would put a new bid on the table today have receded with the return to Stockholm of Mr Helge Lindberg, SAS deputy president and chief negotiator. **Page 26**

EUROPEAN Monetary System: The Belgian franc was little changed on the week but there was renewed pressure after last weekend's general election, the results of which could lead to the complicated and lengthy procedure of forming a coalition government.

The dollar's fall to record lows against the D-Mark created additional concern but trading volume was relatively thin as the year's end approached. Most traders were content to remain on the sidelines, agreeing that trading after the break could lead to renewed calls for a realignment of parities within the EMS.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

USPCI, US waste disposal company specialising in hazardous materials, has finally agreed to be taken over by Union Pacific, railway, haulage and natural resources group. **Page 19**

UCB, Belgian pharmaceutical, chemicals and films group, has announced that it will "achieve good profits in 1987, in line with those of 1986," when the after-tax result was BFr1.3bn ($38.1m). **Page 19**

BOEING, US aircraft maker, appears to be further delaying development of its revolutionary fuel-saving 7J7 prop-fan airliner in the face of low aviation fuel prices and lack of interest from airlines in the 150-seat aircraft. **Page 8**

KOMORI, Japanese printing press manufacturer, has won a $55*m* order to supply eight presses to Imprimerie Jean Didier, French printing company. **Page 5**

ROSEHAUGH, one of Britain's biggest office developers, has been considering whether it may have a role to play in building private prisons. The UK Government is to decide next year whether to allow private companies to finance, build or operate prisons. **Page 8**

TANKER market was left confused last week by the uncertain outcome of the Opec meeting. Brokers were forecasting prices could drop to $15 per barrel or even $12 in the spring. **Page 8**

WEST GERMAN Finance Minister Gerhard Stoltenberg has said he expects domestic growth next year to be as much as 1 percentage point lower after the fall of the dollar and the crisis in the world's equity and foreign exchange markets. **Page 2**

WASHINGTON and the European Community are heading for a serious rift over subsidies on the Airbus aircraft unless one side backs down, a senior US trade official has warned. **Page 8**

Krupp steel plant closure stokes fires of protest

BY DAVID MARSH, RECENTLY IN RHEINHAUSEN

IN THE threatened steel community of Rheinhausen, part of the tired Ruhr town of Duisburg in what was once West Germany's throbbing industrial heartland, Christmas spirit is in short supply. But on show in abundance is solidarity, stoked by bitterness and slow-burning anger, which once alight, may be hard to extinguish.

At the climax to Friday's protest against the planned closure of the Krupp steelworks, an estimated 22,000 steelworkers and townspeople marched in the evening by torchlight through Rheinhausen to the sprawling plant on the side of the Rhine half a mile away.

There they took part in an emotionally extravagant church service held in a vast disused rolling mill, the product of an unusual alliance of the Protestant and Catholic churches and the IG Metall trade union.

The old steel mill was turned into a cathedral of protest against plans announced 3½ weeks ago to close the 90-year-old plant as part of European Commnunity-wide measures to reduce excess capacity.

The service started off with egg throwing at Mr Norbert Bluem, the federal Labour Minister, and culminated with more than 100 local priests helping to distribute 5,000 roses among the football crowd-sized congregation.

Mr Dieter Kelp, the Protestant pastor from the Duisburg parish of Friemersheim who led the service, said the event forged a link between the 2,000-year-old Church and the 150-year-old workers' movement.

Mr Kelp is a young-looking greybeard of 50 with bright eyes and horn-rimmed spectacles. Equipped somewhat theatrically with a single crutch, he has an air of both Old and New Testaments.

"From the company side, there is a certain enmity against the people breaking out," he says. "If help does not come from anywhere else, it must come from the Church. We are not interested in balance sheets, but in people."

By an accident of fate, Friday marked the 90th anniversary of the first firing of the Rheinhausen furnaces. But there was nothing to celebrate.

Rheinhausen's integrated steelworks, performing at about half its 4m-tonne annual capacity and losing DM 150m ($92m) to DM 200m, gives jobs directly to 5,300 workers and, indirectly, to perhaps another 10,000.

All these jobs are now under threat as part of an agreement between Krupp, Thyssen and Mannesmann on sharing Ruhr steel production.

Mr Heinrich Groenhoff, a bluff IG Metall official, says Krupp has gone back on an accord on the Rheinhausen works signed only in September. This gave a guarantee of continued production in return for union agreement on cutting the workforce to 4,200 by the end of next year.

"More may be destroyed than just the trust of the workers," says Mr Groenhoff. "Hopes for the future of a whole region are at stake."

These are kept burning symbolically at flaming braziers maintained 24 hours a day out-

Continued on Page 16

Congress confident of early agreement on plan to reduce deficit

BY LIONEL BARBER IN WASHINGTON AND PHILIP STEPHENS IN LONDON

US CONGRESSIONAL leaders, still split by disputes over the 1988 budget compromise, were last night planning to pass emergency legislation to buy more bargaining time and prevent the Federal Government from running out of money.

The leaders appear confident, however, that a final accord on the two-year $76bn deficit-cutting plan drawn up by Congressional and White House negotiators last month will soon be agreed, possibly as early as today.

That, in turn, should pave the way for a joint statement by the Group of Seven industrial nations reaffirming their commitment to closer economic policy co-ordination to calm the recent turmoil on financial markets.

A draft document, including a loose pledge to stabilise currency markets, was prepared after intense negotiations between the seven at the end of last week. European officials, however, were still emphasising yesterday that its publication was a "probability rather than a certainty."

The statement, modelled in style on last February's Louvre Accord, includes a pledge by the three largest nations to adopt policies which will gradually erode the huge US trade deficit and the surpluses in West Germany and Japan. The wording on the dollar, however, is looser than in February, reflecting US reluctance to commit itself to any target for its currency.

The stop-gap funding legislation would give Congress another 24 hours from midnight last night to bridge differences in parts of a $600bn spending bill under the budget-cutting plan.

Congressional negotiators and senior Reagan Administration officials worked over the weekend to resolve their remaining disputes. Mr Reagan repeated his threat to veto the $600bn bill needed to keep the government running if it was politically unpalatable.

Hong Kong banking authorities are preparing to charge a levy on large deposits in the form of so-called negative interest rates. The move is intended to discourage speculators who are holding large amounts of Hong Kong dollars in the hope of a revaluation against the US currency. US officials have recently argued that Hong Kong should revalue its currency to help restore bilateral trade equilibrium betwen the two countries. Page 16

Senator Robert Dole, Senate Republican leader, said in a television interview yesterday that he expected Congress later on Sunday to vote on a one-day extension of legislation providing funds for the Government. This would enable "half a dozen" disputes to be resolved, including spending increases for Medicaid benefits, cuts in Medicare and the Post Office, and the renewal of a rule ("the fairness doctrine") requiring broadcasters to air opposing views on public issues.

Budget negotiators appeared to have broken the stalemate over future US aid for the Nicaraguan Contra rebels, according to a tentative weekend agreement balancing the demands of a regional peace plan with the need to protect the Contras.

The deal would provide the rebels with another $8.1m in non-lethal aid and transportation assistance to move it to Nicaragua. Previously authorised military aid would be allowed to go through. But in the middle of January, when Central American leaders assess the results of their peace plan, no military shipments would be permitted.

The Contra aid question has been among the most troublesome, but differences remain on the accounting treatment of federal asset sales. Senator Dole said it was important that Congress lived up to its pledges in the November budget compromise to make genuine savings in spending.

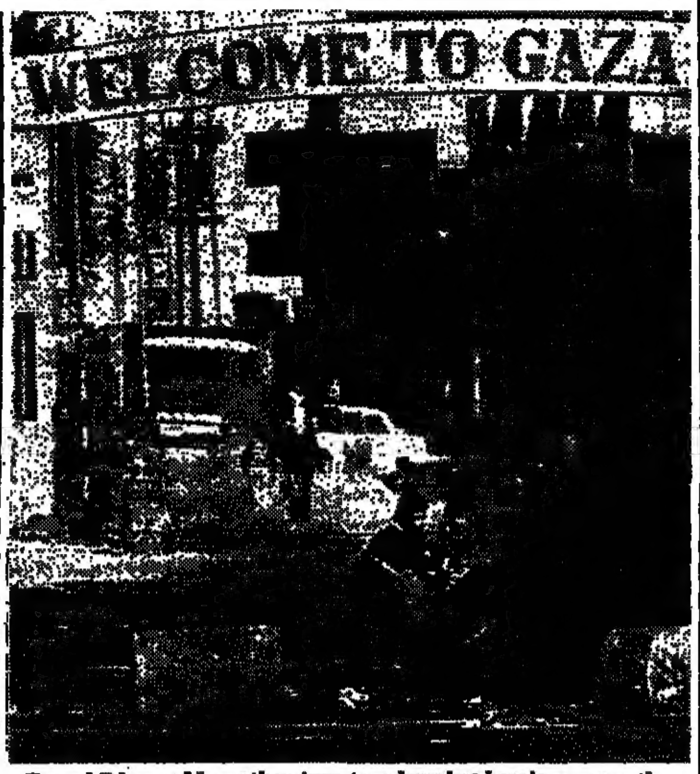
G7 officials said that the present wording in their draft document on stabilising exchange rates fell short of what many governments had been seeking. The US had rejected out of hand a demand from Mr Nigel Lawson, the UK Chancellor of the Exchequer, that it give an unequivocal commitment to do whatever necessary to support the dollar.

European officials said that their contacts with Washington indicated that Mr James Baker, the Treasury Secretary, favoured a concerted move to prop up the dollar. But other officials, including White House adviser Mr Beryl Sprinkel, were opposed to any commitment which might imply an obligation on interest rates.

The officials nonetheless appear hopeful that it might "buy" a period of stability on foreign exchange and stock markets.

The hope is that the dollar's sharp fall in recent weeks and the steady improvement in the volume of trade flows between the US and the surplus nations might persuade markets that no further sizeable dollar depreciation will be necessary.

The budget plan meanwhile would reduce the Federal deficit by about $30bn in fiscal 1988, which began in October, to around $150bn. That is roughly the same level seen in 1987 but, without any action on taxes and spending, the deficit was forecast to rise in 1988 to $180bn.



Two children add another tyre to a burning barrier across the southern entrance to Gaza city during a further day of rioting

Israeli army braced for further violence

BY OUR JERUSALEM CORRESPONDENT

ISRAELI POLICE and security forces were on alert yesterday anticipating that disturbances in the occupied territories would spread from the West Bank and Gaza Strip into the Israeli Arab villages of Galilee and the Valley of Sharon triangle north of Tel Aviv.

Arab East Jerusalem experienced its worst riots in two decades on Saturday, but yesterday there were only scattered incidents in the occupied territories, in which as many as eight Arabs may have been wounded.

The army acknowledged that 15 Arabs had been shot dead since the troubles began on December 9.

Yesterday's most serious clash occurred in the Fara'a refugee camp, near the West Bank town of Nablus. The army said an Israeli patrol was blocked by dozens of Arabs. They pelted the troops with stones and scrap metal and erected barriers across camp roads.

The army said the patrol first fired teargas and rubber bullets, but were forced to fire live ammunition to extricate themselves. Five Arabs were said to have been wounded in the legs, one by a rubber bullet. Palestinian reporters confirmed the casualty figures. A curfew was imposed.

Elsewhere in the occupied territories, an Arab youth was wounded near Jenin after throwing a petrol bomb at an Israeli patrol. The army said that a Palestinian was wounded in the Gaza City district of Shajaiya and officials at Shifa Hospital in Gaza said a 21-year-old Palestinian had been shot and wounded.

Palestinian militants burned a bus taking Arab labourers from

Continued on Page 16

Argentina, Egypt in long-range missile project

By Tony Walker in Cairo and Andrew Gowers and David Buchan in London

EGYPT and Argentina are collaborating in the development of a long-range battlefield missile, with the possible involvement of Iraq, the deployment of which could significantly affect the strategic balance in the Middle East.

Argentina's acquisition of such a missile, with a range of about 800km, could also have implications for the security of the Falkland Islands in the South Atlantic.

According to well-informed observers in Cairo, Egypt and Argentina have been collaborating for about five years on the development of a solid-fuel propelled rocket, designated Condor II.

This appears to mark a significant advance in Argentina's original Condor development programme, which has been known about for some time.

Iraq, which announced on August 21 that it had acquired a missile with a range of 600km, is believed to be helping to finance the project, which in theory would enable Iraq to hit Tehran with missiles.

British Government officials in London confirmed that they were aware of the project, having been tipped off about it earlier this year by Israel.

In Buenos Aires, the Ministry of Defence acknowledged that Argentina was developing what it described as a medium-range missile in collaboration with Egypt, though it said this was designed for satellite launching.

Western worries over the project reflect a concern about the spread of such weapons in the Middle East. But a more general fear about ballistic missile technology in Third World countries has come to a head this year.

Last April, seven countries – the US, Britain, France, Canada, Italy, Japan and West Germany – agreed on a Missile Technology Control Regime (MTCR), aimed at stopping the spread of missiles capable of delivering nuclear warheads over long distances.

The regime covers missiles with a range of 300km and more and capable of carrying a payload of at least 500kg.

Individual signatories have this year been making clear to a wide variety of countries, including Egypt and Argentina, their concerns about the proliferation of ballistic missile technology. None of the countries concerned has responded to these demarches, according to Western officials.

Cairo's drive to acquire a long-range battlefield missile is no doubt partly prompted by Israel's deployment of its Jericho II missile, which has a range of at least 750km, and possibly much more.

Continued on Page 16

Texaco to seek permission for $5.5bn payout to creditors

BY JAMES BUCHAN IN NEW YORK

TEXACO, the US oil company crippled by a *four-year legal* dispute with Pennzoil, a smaller rival, will today seek permission from a suburban New York court to pay out about $5.5bn to its creditors, to emerge from the largest bankruptcy case ever in US history.

According to the accord signed by the two companies in Manhattan on Saturday, Texaco will pay $3bn to Pennzoil and settle the demands of all other creditors in full. If Texaco shareholders approve the reorganisation plan by a two-thirds majority, Texaco could emerge from bankruptcy protection by March.

Mr James Kinnear, the Texaco chairman who had been threatening to take the case to the US Supreme Court, said: "We have determined that the best course of action and the best business judgement available to us on behalf of our stockholders and employees is to remove the legal shackles that have constrained our company."

Mr Kinnear, who worked throughout Friday night on the plan, moved quickly to quell growing speculation that Texaco will emerge from bankruptcy so weakened by the case and the settlement that it will fall prey to takeover.

Mr Carl Icahn, the New York-based takeover specialist, controls 12.3 per cent of Texaco.

Mr James Kinnear

On Saturday Mr Kinnear announced plans to restructure Texaco "with a view toward maximising shareholder value." He said that Texaco and Morgan Stanley, the Wall Street investment firm, would "undertake an aggressive, imaginative and exhaustive review of every asset and operation," in the company's "quest for competitive leadership."

Texaco has more than $4bn in cash assets, but is expected to make substantial disposals to finance the payment to Pennzoil.

Today's filing, before Judge Howard Schwartzberg, marks the closing chapter in a corporate battle which has grown more bitter and desperate with each month since January 1984 when Pennzoil sued Texaco for buying Getty Oil from under its own, allegedly binding, contract.

Texaco took refuge in bankruptcy proceedings when Pennzoil was awarded $10.3bn in damages by the Texas courts.

As late as Friday, the two companies were still haggling over the tax liability and accrued interest on the $3bn payout.

However, Mr Hugh Liedtke, the Pennzoil chairman who put off retirement to see out the case, dropped his demand for accrued interest when committees representing Texaco's creditors and stockholders backed Mr Kinnear. The tax issue was simply laid aside.

The case was transformed this month by the appearance of Mr Icahn, who bought stock in both companies and pushed hard for a settlement.

Judge Schwartzberg broke a logjam in court by permitting Pennzoil and Texaco's shareholders and creditors to bypass Texaco management if they could agree on a reorganisation plan.

CONTENTS

THE MONDAY PAGE INTERVIEW

Ying Ruocheng, China's top film actor and Minister for Culture, talks to the Financial Times, Page 11

Stoltenberg reduces forecast for growth

BY HAIG SIMONIAN IN FRANKFURT

MR Gerhard Stoltenberg, the West German Finance Minister, has said he expects domestic growth next year to be as much as one percentage point lower after the fall of the dollar and the crisis in the world's equity and foreign exchange markets.

In a newspaper interview yesterday, Mr Stoltenberg said he now anticipated between 1.5 and 2 per cent growth next year against 2.25 to 2.5 per cent before the stock market crash and the fall dollar's fall. The German economy has grown by about 1.5 *per cent* this year.

However, even Mr Stoltenberg's *revised* growth figures are more optimistic than many recent forecasts.

The independent Council of Economic Advisers said the economy would grow by 1.5 per cent in 1988, much the same as this year. Earlier this month, James Capel, the UK stockbroker, said it expected next year's growth to reach only 1.3 per cent.

The rise in the deutschemark in particular has led to renewed anxiety among exporters and to calls on the government for action. Last week, *Mr* Helmut Geiger, president of the German savings banks association, said the fall in the dollar had brought the economy close to a "negative spiral" which could seriously damage investment.

However, Mr Stoltenberg *said the deutschemark's* appreciation would mean prices were likely to rise by only 1 per cent next year against the 1.5 to 2 per cent previously expected.

Mr Stoltenberg again hinted at the possibility that the government might overshoot its DM30bn budget deficit target for 1988.

Gerhard Stoltenberg

West German cheer for US forces

BY DAVID MARSH IN BONN

US FORCES in West Germany *hit by the falling dollar can* expect to enjoy extra Christmas cheer this year, thanks to DM4m funds donated by West German big business.

The money was collected in an unprecedented four-month oper*ation which* ended last month. It will be spent over the next five to seven years to improve links between the West German population and 500,000 American military personnel and their families stationed here.

The cash will be spent by the West German arm of the United Service Organisation (USO), a privately-funded venture formed in 1941 *to* support GIs abroad, which ran into a financial crisis at the beginning of the year.

Among the activities organised by the West German USO this Christmas are Santa Claus visits to orphanages, cookies for military police, and a talent-spotting hop by the American TV star Alex Trebek. It also tries to arrange for single US soldiers to celebrate Christmas in a West German family home.

The West German arm of USO, heavily squeezed by the falling dollar and a cut in American donations, could normally be *expected to have an annual budget* of DM 300,000, says Ms Janet Bandows-Koster, director of operations for West Germany. "That will now significantly increase."

Mr Richard Burt, US Ambassa*dor to Bonn, co-sponsored* the fund-raising drive with Mrs Hannelore Kohl, wife of the West German Chancellor. Mr Burt says the West German companies and banks which put up the cash were "in part, returning the *favour of the Marshall Plan*". This was put into effect 40 years ago to boost West Germany's war-ravaged economy.

Typical individual donations were $25,000 to $50,000. Contributors included Deutsche Bank, Lufthansa, Daimler Benz, Volkswagen and Bertelsmann, as well as top chemicals, *oil*, tobacco and publishing groups. The drive was organised by the optical manufacturer Mr Rolf *Rodenstock*, one of West Germany's top businessmen.

"I was warned by many people that it wouldn't succeed, that the Germans were not used to an American-style fund-raising effort," said Mr Burt. "But we were overwhelmed by the response."

The funding effort was mounted against the background of financial and political uncertainty about the American military presence in Europe. "This was a recognition by these people that there is growing concern about burden-sharing," the ambassador said. "They sent a signal to Washington that the American troops' presence is appreciated."

Signs of robust growth appear daily, Carla Rapoport writes

Japan learns to live with high yen

THE DOLLAR has been hitting new post-war lows against the yen on a daily basis recently, but many in Tokyo are no longer taking any notice.

Despite the growing concern about the weakness of the dollar in Europe and the US, most Japanese business leaders have remained cool about currency fluctuations. Indeed, Japan's economy is expanding very nicely under its own steam. For many, the dollar just is not what it used to be.

"We are *not* going to scream whenever the yen appreciates against the dollar," said *Mr Yusuke Kashiwagi*, chairman of the Bank of Tokyo.

"Europeans look at the exchange rate as the barometer of an upcoming recession." But Japan is looking at a growth rate of 3.7 per cent or even 4 per cent for 1988, according to Mr Kashiwagi.

Waving away his own bank's more conservative forecast, the highly respected banker said Japan had learned how to live with the high yen. *This is* because the government is helping to boost domestic demand, because industry has cut costs and moved a lot of production offshore, and because Japan's imported goods are now much cheaper.

Yusuke Kashiwagi: confident

While many economists in Tokyo remain more fearful than Mr Kashiwagi, it is true that *signs of robust economic and* financial health seem to appear daily in Japan these days.

The government's floatation of about $5bn worth of shares in Japan Air Lines last week, for example, went flawlessly despite the *fact* that the share *had lost* about a third of its value since October. The issue was fully subscribed, according to government officials on Friday.

Also on Friday, the Economic Planning Agency (EPA) announced that the country's economy had been expanding well in November, bouyed by a sharp increase in housing starts, retail sales and capital spending.

It was the first time since 1985 that the EPA had described the nation's economic performance as in an "expansion phase".

Further, Nomura Research Institute, the research arm of Japan's largest stockbrokers, *announced at the weekend that* Japanese companies would still report a rise in pre-tax profits in the year to next March if the dollar stayed at the Y127 level.

Matsushita Electric, Japan's largest electronics company, for *example, could even make profits* if the dollar reached Y105.

Hitachi, Toshiba and Sony had a break-even level of Y125, the research body reported.

Japan's continued economic growth has also spurred the *growth in the nation's money* supply. In November, money supply showed a sharp 12.4 per cent rise over the same month in the previous year. It was the fastest grwoth for about eight years and is helping to raise *fears about a reappearance of* inflation in Japan.

The appreciation of the yen against the dollar, however, is slowing Japan's purchases of US government bonds.

Mr Yasuyuki Wakahara, chairman of the Life Insurance Asso*ciation of Japan, said the Japa*nese life insurance industry will have to restrict investment in US bonds in view of the most recent bout of apreciation of the yen against the dollar.

Most Japanese business leaders have stayed cool about currency fluctuations. The economy is expanding nicely.

The Japanese are still net purchasers of US bonds, although the level of purchases has dropped sharply this year.

The Bank of Tokyo predicted last week that total outflow of Japanese capital during fiscal *1987 will amount to $111.7bn*, a decline of around $33bn from 1986.

A further decline to $99.8bn is expected in fiscal 1988.

Sniffer dog dispute widens rift between London and Tehran

BY ANDREW GOWERS, *MIDDLE EAST EDITOR*

A FRESH political row has bro*ken out between* Britain and Iran following a dispute at London's Heathrow airport over customs inspection procedures.

Iran Air, the country's national airline, has suspended all flights to Britain as a result of the altercation, which began about a week ago when customs officers used sniffer dogs to search an Iranian aircraft *for* drugs.

Iranian officials objected to the search on the grounds that the dogs walked over areas where passengers would subsequently be at prayer. Moslems regard dogs as unclean.

Since then, *the issue* has drawn angry remarks in Tehran from Mr Ali Akbar Hashemi Rafsanjani, the influential speaker of the Iranian Parliament, and a complaint to the Foreign Office from the Iranian charge d'affaires in *London, Mr Akhund* Zadeh Basti.

Iranian observers in London say the row, despite its modest beginnings, has the potential to aggravate further the already strained relationship between Britain and *Iran*.

Diplomatic relations between the two have been downgraded to the lowest possible level short of a complete *rupture following* another row last summer.

Britain's last diplomat in the Iranian capital was quietly withdrawn several weeks ago on what the Foreign Office describes as safety grounds.

Britain and Iran are now in dispute on a range of issues from the Gulf war to the closure of Iran's arms-buying office in London.

Iran Air normally makes three lucrative flights to London per week, but an official at Heathrow confirmed yesterday that no *flights had arrived from Tehran* since last Tuesday.

It is not entirely clear why the *row should* have broken out now, since customs officials insist that use of sniffer dogs at British airports is "part of the normal routine".

HM Customs and Excise has refused to give assurances to the Iranians that it *will* not use dogs on a similar occasion in the future, which may mean that the Iran Air flights remain in indefinite suspension.

Gulf summit to discuss security

FEARS of further escalation in the Iran-Iraq war are expected to dominate the agenda of Gulf Arab foreign ministers who meet in Riyadh today to prepare for a regional summit, **Reuter reports from Kuwait.**

Since their last summit in Abu Dhabi in November 1986, the six Gulf Co-operation Council (GCC) states have been increasingly sucked into the seven-year conflict on the side of Iraq.

Officials said the summit, due to open on December 26, would consider joint defence and security measures to protect the conservative pro-Western states from a spillover of the war.

The heads of state would discuss support for UN Security Council Resolution 598, which demands a ceasefire, and a possible *new overture to Tehran*, the officials said.

The talks take place amid predictions of a major new offensive towards the southern Iraqi city of Basra by Iran, reported to have massed 370,000 troops on the southern war front.

Iraq said yesterday it had repulsed an Iranian thrust about 200km north-east of Basra after a 12-hour battle.

Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab *Emirates* formed the GCC in 1981, largely out of security fears arising from the war and the 1979 Islamic revolution in Iran.

Both *remain threats to the six* states, diplomats and officials in the region say.

In the past year, Iran has mined Gulf waters and stepped up attacks on Kuwaiti oil tankers, leading the emirate to put half its tanker fleet under the American flag to qualify for US navy protection.

A build-up by foreign navies in the Gulf has thrust the GCC states into the middle of superpower rivalry and clashes between the United States and Iran.

The GCC Assistant Secretary *General for Political Affairs*, Saif al-Maskari, told the Qatari News Agency yesterday the summit would discuss increased military co-operation and a security strategy approved by GCC interior ministers.

He said the talks would be extension of last month's Arab League summit in Amman which criticised Iran *for attacking* Kuwait with missiles and refusing to accept Resolution 598.

Jayawardene in threat to kill rebel Sinhalese

PRESIDENT Junius Jayawardene vowed yesterday to kill Sinhalese extremists who have been assassinating his supporters in a campaign against the government's attempt to make peace with Tamil rebels, **AP reports from Colombo.**

He told members of his United National Party *in the Sinhalese* heartland that law enforcement officers would be given immunity for any "wrongdoings" against Sinhalese terrorists.

Soviet physicist disappears in India

India has ordered its diplomatic missions in neighbouring countries to try to trace a Soviet physicist who disappeared from a tour group in Delhi on Friday, **Reuter reports from Delhi.**

Security forces were on *full* alert throughout India in the search for Mr Babi Alexander, 25, who disappeared on a visit to the Karol Bagh market area.

Singapore frees five 'plotters'

SINGAPORE yesterday announced the release of five *people held under the Internal* Security Act since June 20 on suspicion of plotting to establish communist rule, **AP reports.**

Twenty-two people were detained in connection with the alleged plot. Eleven remain in *custody*.

Disgraced officials lose assembly seats

THE deposed head of a lorry and tractor factory at Brasov, Romania, scene of worker unrest last *month*, and a former Romanian Communist Party leader in Craiova have lost their seats in the Grand National Assembly, **AP reports from Vienna.**

After losing parliamentary immunity, the two officials can be *prosecuted*.

Maghreb countries discuss unity plan

THE foreign ministers of Algeria, Mauritania and Tunisia met in Algiers yesterday to discuss ways of making their friendship treaty the basis of unity among the five Maghreb states, **Reuter reports from Algiers.**

The three are expected to discuss widening the pact to include Libya and Morocco.

Bangladesh releases six more detainees

BANGLADESH freed six more political detainees yesterday in attempts to foster peace talks with the opposition, which is trying to topple President Hossain Mohammad Ershad, **Reuter reports from Dhaka.**

The US said it hoped the unrest, which has cost Bangla*desh millions of dollars* in the past month, would be resolved through dialogue.

E Berlin allows mother and son to emigrate

BY DAVID MARSH IN BONN

THE East German authorities have allowed the emigration to West Berlin of a mother and child split from their family by the Berlin Wall. Their case was *featured in the Financial Times* two months ago.

Mrs Gabriele William, 27, who is divorced, and her son Christian, who will be seven tomorrow, last Monday passed through the Friedrichstrasse railway sta*tion crossing point to join* the rest of their family for Christmas and begin a new life in the West.

"This is the most beautiful Christmas present," said Gabriele's mother, Mrs Anneliese Stahlbaum, at the end of a nearly four-year battle with the East Berlin government to bring her elder daughter across.

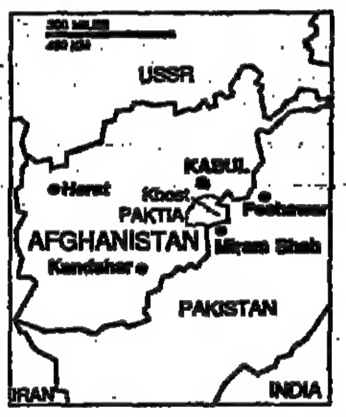
The family reunion came amid a wave of pre-*Christmas arrivals* in West Germany of East German emigrants. In a move which the Bonn government says is partly a goodwill gesture, 1,839 emigrants arrived in the Federal Republic and West Berlin in the *first half of December. This is* compared with the 9,116 allowed out in the first 11 months of the year, although the total for the year will be down substantially from nearly 20,000 in 1986.

Still no clear sign of end to Afghans' eight bloody years

BY MOHAMMED AFTAB IN ISLAMABAD

A SENIOR Pakistani diplomat *involved in talks on the Afghan* crisis says: "Nineteen-eighty-eight will be the year of political upheaval in Afghanistan." Another diplomat, who has spent 20 years in the Afghan capital Kabul, says: "I cannot say what will happen, even *tomorrow*."

The summit between Mr Mikhail Gorbachev, the Soviet leader, and President Ronald Reagan in Washington *notwith*standing, volatility is still the pattern there as 120,000 Soviet *troops enter the ninth year of* their stay in the country they marched into on Christmas Eve 1979.



AFGHAN government troops have launched an offensive against some *9,000 Moslem insurgents in* south-east Afghanistan near the Pakistan border, Soviet television said yesterday, Reuter reports from Moscow. **It showed film of the troops shelling what a Soviet reporter said were rebel strongholds and arms supply routes in a snow-capped mountain range in the Khost district of Paktia province.**

Diplomatic dispatches from Washington received in Islamabad confirm only that the superpower *summit "led to exchange* of assurances that the two leaders wish to settle the Afghan crisis," the Pakistani foreign ministry said.

While Mr Gorbachev said he did not necessarily wish to leave *a pro-Moscow government* behind in Kabul when the Soviet troops withdrew, Mr Reagan assured him the future government in Kabul need not be pro-American, which Moscow fears, a foreign ministry spokesman said.

All indications are that the summit, on which 15m Afghans pinned big hopes, made limited progress on the issue. Mr Gorbachev, who one described Afghanistan as "our bleeding *wound*", with at least 15,000 Soviet soliders having died there, did not unveil the hoped-for timetable for withdrawl of the Red Army's troops.

On receiving detailed reports of the summit both from Wash*ington and Moscow*, Pakistani officials have adopted a cautious optimism: "The discussions at the summit indicate that the Soviet position is evolving and that they may want to move towards settling the problem," a top Pakistani diplomat said.

"There are straws in the wind. We must grab them and get them converted into concrete actions," he said of the pointers *from Washington and Moscow*.

The situation, as it appears to have emerged at the summit, is that the Soviets want all US military aid to Islamic anti-communist Afghan guerrillas – now $600m a year – *to stop* as soon as a *peace agreement between* Islamabad and Kabul is signed. Mr Reagan is thought to have refused to agree.

The Geneva peace negotiators, Islamabad and Kabul, envisage that two months after conclusion *of the proposed agreement*, Soviet troops would start withdrawing as a ceasefire is put into place. The US view is that the Mujahideen (Islamic Holy warriors) should not be left starved of supplies because that would *put them at the mercy of the* Soviet army. Instead, the US argues that the supplies should stop the day the Soviet troops start withdrawing.

Everything hinges on finalising a timetable for withdrawal of the Soviet troops. The Geneva peace talks, which began in 1982, could pick up this issue when they resume in February, Western and Pakistani diplomats believe. When the two sides met in Geneva in September this year, Moscow, negotiating through Kabul, agreed to quit the country in 16 months, while Pakistan agreed to eight months.

The Soviets and Afghan Presi*dent Najibullah have recently* hinted that they would settle for 12 months for evacuation, and are expected formally to table such a proposal at Geneva.

Mr Abdul Sattar, permanent secretary at the Pakistan foreign *ministry, said: "Promising* pronouncements by Moscow and Kabul too often create a false aura of optimism, but action is needed to sustain their credibility. We have noted General Secretary Gorbachev's declaration *of desire for a prompt solution of* the Afghanistan problem but concrete action will be more welcome."

Meanwhile, Soviet soldiers continue to die in the war. Some Western military estimates put *the Soviet dead at 25,000*. Western sources also say 1m Afghans have been killed. The Peshawar-based Swedish Relief Committee for Afghanistan puts the number of the Afghan dead at 1.2m in the eight years of war, including *Afghan soldiers and government* personnel.

Western intelligence sources say fighting in Afghanistan during 1987 was more intense and widespread possibly because the guerrillas were "better supplied, better equipped, and better co-ordinated," according to Western and Pakistani military analysts.

Syria and Oman agree to diplomatic link

SYRIA and Oman have agreed to establish diplomatic relations and exchange ambassadors, the official Syrian news agency SANA said yesterday.

It said the decision followed talks between visiting Omani *Foreign Minister* Youssef Bin Alwai and Syrian President Hafez al-Assad and Foreign Minister Farouq al-Shara on Saturday.

"The meetings centred on bilateral relations between Syria and the Sultanate of Oman and means of improving these relations, so in this context it was agreed to exchange *ambassadors* and establish diplomatic relations," SANA said.

The two countries have not had diplomatic relations since they became independent.

Britain recognised the full independence of Oman in 1951 while Syria achieved full independence in 1946.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1980=100)

	Oct.'87	Sept.'87	Aug.'87	Oct.'86	% change over previous year
W. Germany	121.1	120.9	121.2	120.0	+0.9
France	168.4	168.1	168.0	163.3	+3.1
Italy	215.0	212.9	211.5	203.4	+5.7
Netherlands	123.6	123.0	122.4	123.2	+0.3
Belgium	145.1	145.3	145.6	142.7	+1.7
United Kingdom	153.9	153.2	152.7	147.3	+4.5
USA	139.9	139.5	138.8	133.9	+4.5
Japan	117.2	116.2	115.2	115.4	+1.6

Source: (except US) Eurostat

The departure of Bresser Pereira is bad news for Brazil and its creditors, writes Ivo Dawnay

Brazil stages a re-run of a familiar crisis

THE resignation of Brazil's finance minister, Mr Luiz Carlos Bresser *Pereira*, is yet another triumph for short-term political expediency over the urgent need *to tackle* the country's economic crisis.

For most Brazilians, the departure of Mr Bresser will only confirm the widely-held view that hyper-inflation and a stagnating industrial base are in prospect for the foreseeable future.

Foreign bank creditors face an equally bleak outlook with the parallel departure of Mr Fernao Bracher, the former Central Bank president who until last week led the team negotiating the restructuring of $68bn in commercial debt.

While hardly loved abroad, Mr Bracher has at least been a familiar face in the corridors of Citicorp's Park Avenue offices *for the past two years*.

Yesterday, Mr William Rhodes, leader of the 14-member bank negotiating committee was quoted as promising that the changes would not alter his timetable for completing a new three-year deal, intended to take place next month.

But there must be doubts, and these centre on the issue behind Mr Bresser's resignation - the inability of any Brazilian finance minister to win political backing for tough economic reforms.

Responsibility for this is now increasingly being laid at the door of President Jose Sarney, not least by Mr Bresser himself.

In an informal chat with journalists on Saturday, the ex-minister put it brutally frankly: "This is a weak government, incapable of taking the necessary measures to adjust the economy.

"President Sarney knew I intended to tax capital gains, but refused to do it. This attitude *will take Brazil nowhere. We* speak of cutting expenditure and simply don't cut it. My greatest adversary was always the weakness of the government."

That weakness has been most dramatically demonstrated in recent weeks in the successful efforts of diverse interest groups to curb the impact of Mr Bresser's new spending cuts package.

Mr Bresser's aim when he introduced his first plan last June was to halt inflation – then *over 20 per cent a month* – by introducing a temporary prices and wages freeze, followed by a rapid easing of controls and sharp cuts in public spending.

But the wage policy was almost immediately undermined when, under pressure from the military, Mr Sarney authorised big increases in pay for the armed *forces, federal civil* servants and government bank employees.

Other concessions, often made by the president in defiance of Mr Bresser, have meant a public spending deficit of almost double the *original* target of 3.5 per cent of gross domestic product for 1987. Inflation, meanwhile, is expected to exceed 360 *per cent* for the year - a record.

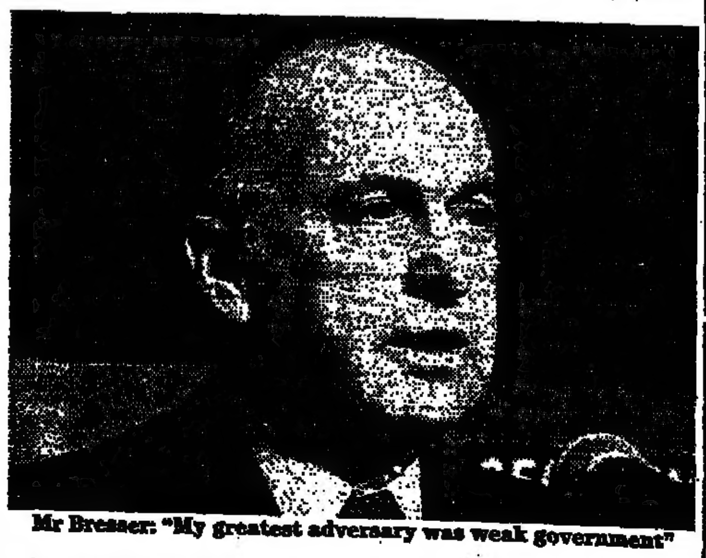
Mr Bresser's latest prescription was to raise taxes, including introducing a capital gains tax, and once again to attempt to cut spending through abolishing several state agencies.

But Mr Sarney, under pressure from business and taxpayers' lobbies from the right and *intense opposition to spending* cuts from the left, has drastically diluted the package.

Behind the president's decision, may lie a hope that growing right-wing forces in the Congress, now finalising a new constitution, might reverse an earlier vote to hold elections next November, thereby reducing his mandate to four years.

But pandering to those fiercely opposed to tax rises is likely to do little to strengthen an already critically weak administration. Accelerating inflation and near *zero growth* of industrial output is hardly likely to increase Mr Sarney's popularity.

Half a dozen names have been mooted as possible choices for the new minister. But those that seem most plausible look unlikely to offer any different solutions to those of Mr Bresser.



Mr Bresser: "My greatest adversary was weak government"

Speculation is high that the interim minister, Mr Mailson Ferreira da Nobrega, *the career* civil servant who heads the ministry, will stay on permanently.

But few yesterday had many hopes for his success.

As the Brazilian expression goes - "We've seen this film before."

Fiji flights to resume

AIR *New Zealand is to resume* regular flights to Fiji, ending a seven-month interruption following the military coup, **Dai Hayward reports.**

The Fiji government says Air NZ's continued absence is *affecting* Fiji's tourist business, already down because of the coup.

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Observers allege computer fraud in S Korea poll

BY MAGGIE FORD IN SEOUL

SUSPICION is emerging that South Korean voters may have experienced high-technology election fraud with computer manipulation of results last week in the presidential election, won by the ruling party.

Concern that the result may have been interfered with electronically arose when opposition party members telephoning progress reports of trends to their headquarters were told that the result from their area had already appeared on television.

Early editions of a government-controlled newspaper also reported results which had not apparently been completed, readers said.

The Government has strongly denied any interference in the voting, and yesterday said it would crack down harshly on anyone spreading rumours of fraud. Politicians and voters were nevertheless trying to puzzle out what computer fraud may have taken place and how it might have been done.

Last week's poll was the first for 16 years, so comparisons are difficult.

Attention focussed on the role of government-controlled radio and television. An attempt by the independent Christian Broadcasting Service to report the results on election night was stopped by police.

European and and Commonwealth diplomats, businessmen and journalists who watched the results on television were puzzled by several features:

● Mr Roh's 2m winning margin of votes over Mr Kim Young Sam remained constant throughout the night, without showing any swings, even in the early stages. Mr Roh won a close election with only 36 per cent of the vote.

● The size of Mr Roh's early lead. Most observers at first assumed that this reflected the military vote, widely thought to have been supervised. The Central Election Management Committee had earlier announced however that soldiers' votes would be sent to their home areas and counted in with other ballots.

● A regional "patterning" of individual vote reports. After an hour of broadcasting, even viewers unfamiliar with the Korean language were able to pick which area of the country any particular set of voting figures came from, because the pattern was almost always the same. Some provinces of South Korea contain a wide mixture of voters both in age class and origin, so that different parts of the province would be expected to show more varied results.

● The late reporting of results from the capital, Seoul, about 10 hours after rural areas early in the morning the day after the election. Rural areas normally produce their results last. No convincing explanation has been given for the delay.

The opposition candidates, who declared the election to be unfair and manipulated the following day, found some of the results difficult to believe. Mr Kim Dae Jung, whose popularity in his home capital of Kwangju is enormous, said that even he could not win 94 per cent of the vote there, as the result suggested. His aides said that in a free election 10 per cent of voters would support Mr Roh and another 10 per cent Mr Kim Young Sam.

Independent observers of the election, including two teams from the US, said they found a number of irregularities, including missing or apparently switched ballot boxes, interference with opposition party and independent Korean observers monitoring the count and signs of voting tricks.

Individual counting rooms are not required to announce their results officially and there is no provision for a recount in the case of disputes. Results posted at the Central Election Management Committee were reported to be generally running about an hour behind television counts.

An independent Washington political analyst experienced in the use of computers to target voters during elections, said it would be extremely easy to draw up a computer model of an acceptable election result. This could be adjusted for people's perceptions of voter choice, regional, class and age background and events during the campaign.

Such a model could design the size of a majority, pinpoint areas of the country where people would believe voters' intentions could have changed and guide government officials if they were charged with getting the vote out.

While such computer models are used in democratic countries for the guidance of political parties they could be open to abuse by an unscrupulous government determined to keep power, the analyst said.

Little sign of peace or goodwill in Philippines

By Richard Gourlay in Manila

A PHILIPPINE soldier was killed and a number of others injured yesterday, just a day after President Corazon Aquino invoked the seasonal spirit of peace to order a four-day ceasefire in the 19-year guerrilla war with Communist-led rebels.

Mr Satur Ocampo, a leader of the rebel National Democratic Front, had hinted earlier this month that the New People's Army would declare a unilateral ceasefire over the holiday.

On Saturday Cardinal Jaime Sin, the influential spiritual head of the Catholic church in Manila, called for a Christmas ceasefire. But General Fidel Ramos, the armed forces chief, last week ruled out a ceasefire, although he said there could be a "short moratorium" on the fighting.

The ceasefire will cover Christmas Eve, Christmas Day, New Year's Eve and New Year's Day but not December 26, the 19th anniversary of the founding of the NPA and the birthday of Mao Tse-tung, from whom the Philippine rebels gain their inspiration.

"We are in the season of the year that calls for peace and love," Mrs Aquino said on Saturday. "It is good to pause and reflect on these ideals." The Philippine armed forces are to stay on alert and be ready for defensive action and hot pursuit, she said. Communist Party officials said last week they would adopt a defensive posture over the holiday in order to respect people's desire for peace.

However, while the spirit of peace was flowing in Manila, about 70 NPA rebels ambushed soldiers on Negros island, killing one.

Further south, off the coast of Mindanao island, Philippine army helicopter gunships ended a four-day attack on what they said were pirates, in which they destroyed much of a village. A spokesman for the Moslem independence fighters, the Moro National Liberation Front, however, said the 11 victims were not pirates but members of the MNLF and that the army had violated a ceasefire agreed 15 months ago.

David Buchan and Tony Walker on concern at the spread of missile technology

Cairo rocket plan fuels proliferation fears

NEWS OF collaboration between Egypt and Argentina in the development of a long-range rocket has fuelled growing Western concern at the spread of missile technology in the Third World and its implications for nuclear weapon proliferation.

Cairo and Buenos Aires were in fact both key targets, among several other governments, of a co-ordinated diplomatic approach on the missile technology issue last April by the West's seven leading industrial powers.

On April 16 the US, Britain, France, West Germany, Italy, Canada and Japan announced they had set up a missile technology control regime (MTCR), with guidelines on the export of "any missile system capable of delivering nuclear weapons". This was defined as any rocket that could carry more than 500kg (1,100lb) and travel further than 300km (120 miles).

The seven Western countries wanted to persuade all other countries capable of making such missiles to join them in restricting the technology. They approached a variety of countries, from smaller Nato allies and European neutrals, to China and other Third World countries with known missile capability such India, Argentina, Brazil, Egypt, and Israel.

One Western official said this week: "So far we've had some sympathetic noises, but no one has followed."

Countries were asked to exercise care in exporting their own missile technology and told that they could only import such technology from the seven Western countries on certain assurances about the use to which it would be put.

The seven Western powers have long had agreed controls on military exports to the Soviet bloc through the CoCom organisation, but nuclear proliferation is more a North-South than an East-West issue.

Concern about the possible uses for ballistic missiles is well-founded. In a paper entitled "Ballistic Missile Proliferation Potential in the Third World" the US Library of Congress commented recently that "ballistic missiles give a country the ability to penetrate another's defence system and attack deep targets. Some countries are on the verge of achieving high accuracy and large warheads with great destructive force, which would afford an ability to eliminate pre-emptively key military forces of an opponent."

"This new-found capability," the report said, "can alter a regional balance of power. In the hands of a peaceful state, ballistic missiles could help deter aggression. In the hands of an aggressor, they could facilitate international blackmail or conquest."

Beyond the power of the missiles themselves, the Western fear is that the spread of missiles capable of carrying nuclear warheads could increase the risk of proliferation of nuclear weapons.

Mr Don Kerr of the International Institute for Strategic Studies in London explained: "Any developing country going to the expense and trouble of planning a long-range missile could not afford to rule out absolutely the possibility of putting a nuclear charge on it."

None of the Western powers is suggesting that Egypt or Argentina might be planning nuclear warheads on whatever longer-range missiles they may be working on individually or jointly. There is plenty of concern about the destabilising effect of the spread of conventionally-armed missiles but only the nuclear aspect gives the West any plausible legal ground – under the Non-Proliferation Treaty – for expressing concern

The rule of thumb on which the Western allies are working is that any country with a space programme can certainly produce a missile powerful enough to carry 500kg for 300km. That payload is far heavier than many sophisticated Western or Soviet nuclear warheads, but the assumption is that a missile might be carrying a Third World's country first attempt at a nuclear warhead.

The problem for Third World makers of missiles is not, according to Mr Kerr, the rocket motor or the warhead (provided of course it is not nuclear). It is rather the guidance which needs low drift gyroscopes (to orient the missile) and accurate accelerometers (to measure velocity).

Mr Bernard Blake, editor of the Jane's Weapons Systems publication, says an accurate missile of a range of several hundred kilometres would be a big step for Egypt, which at present makes just a portable anti-air missile, and even for Argentina, whose Condor I is "a battlefield missile of limited range".

Relations worsen as Kenya arrests Ugandan nationals

BY OUR UGANDAN CORRESPONDENT IN ENTEBBE

RELATIONS between Uganda and Kenya worsened further at the weekend with the arrest of Ugandan nationals by the Kenyan authorities.

The arrests are the latest in a series of actions against Uganda, apparently prompted by a change in trade traffic procedures and what Ugandan President Yoweri Museveni describes as a "personality conflict" with Kenya's President Daniel Arap Moi.

Kenya has closed its borders to Uganda and halted imports destined for Uganda at Malaba customs post. Nairobi airport is also closed to Ugandan passport holders.

According to Uganda's director of intelligence, Mr Jim Muhwezi, who visited Malaba on Saturday, among those turned back by Kenya's immigration officers that day were United Nations officials, a German citizen and a British tourist. Only Kenyans were allowed into their country.

Mr Muhwezi said a number of Ugandans working in the Kenyan port of Mombasa had been given 48 hours to leave the country and that Mr Atekra Ejalu, a one-time opponent of Mr Museveni's who visited Uganda recently without running into trouble with Ugandan security, was deported on Saturday from Nairobi by Kenyan officials. They escorted him onto a British

Yoweri Museveni: "personality conflict"

Airways flight to London.

Uganda Airways staff who flew into Nairobi to collect their High Commissioner, Mr Charles Katungi, and his deputy, Mr Samson Bigombe, who were expelled from Kenya, said armed troops surrounded the Ugandan aircraft when it landed.

A British journalist on the same flight back to Entebbe said the Ugandan diplomats were harassed by Kenyan airport officials. Their houses in Nairobi were apparently searched by Kenyan police.

An under-secretary in the Ugandan High Commission was taken to a police station for questioning, but later released. Three Ugandans were reported to have been arrested trying to leave Nairobi airport on Friday.

Last March a Ugandan teacher, Mr Geoffrey Byaruhanga, died in Kenyan police custody. The post mortem revealed that he had suffered severe beatings.

His death sparked a row between the Kenyan and Ugandan governments – followed by Kenyan border curbs from April to May that delayed Uganda's vital coffee exports.

Kenya and Uganda have accused each other of starting the hostilities with cross-border raids.

Most Ugandans believe that the root of the conflict lies in the fact that before Mr Museveni came to power almost two years ago, the Kenyan leadership had good business contacts with Uganda's politicians.

In particular, Kenya's road transport company benefited from the Ugandan coffee trade and Kenya's official coffee exports were boosted by smuggled Ugandan coffee. However early this year, Mr Museveni banned coffee exports by road, switching them to rail.

South African township clashes claim two lives

BY JIM JONES IN JOHANNESBURG

FIGHTING between supporters of the conservative Zulu organisation Inkatha and the radical United Democratic Front continued at the weekend with at least two people stabbed to death and others seriously wounded in Pietermaritzburg's black townships.

Leaders of both organisations earlier reaffirmed their commitment to finding a peaceful solution to the conflict.

Last week the UDF placed an advertisement in newspapers in the province of Natal calling for talks between the two sides to resume and for Christmas to be a period of peace. The advertisement was placed in response to Inkatha demands that the UDF repudiate a more militant publication circulated by a breakaway group calling itself the Marxist Workers Tendency.

Mr Vitus Mvelase, Inkatha's urban representative, welcomed the UDF's advertisement at a party rally saying that talks offered the only prospect of peace. He added that the fighting dishonoured the struggle for liberation from apartheid.

The conflict is mainly between the more traditional followers of Chief Mangosothu Buthelezi's Zulu Inkatha organisation and radical UDF supporters who subscribe to the principles of the banned African National Congress.

● South Africa could face a deluge of disinvestment if legislation in the US terminating tax credits for American companies – passed by the Senate and the House of Representatives late Thursday – is not overturned by the White House.

In Johannesburg at the weekend Mr Adrian Botha, executive director of the American Chamber of Commerce, said pressures on the 168 American companies still operating in South Africa could become intolerable if the bill is signed by the President.

According to estimates in South Africa, passage of the bill could lead to American companies paying an additional R40m (£12.5m) in taxes. The proposed legislation, contained in House and Senate budget bills, would disallow US tax credits for taxes paid by the South African subisidiaries of American companies and would in effect mean double taxation.

It is believed that the South African authorities would follow precedent and consider appropriate relief for companies affected. In August this year the South African parliament agreed to a proposal by the Inland Revenue to afford "unilateral tax relief" to companies and individuals affected by the US abrogation of the double tax agreement between the two countries on July 1.

The effect of that abrogation was that American firms would have been obliged to pay a 10 per cent non-resident tax on interest remitted out of South Africa.

Health funding review stresses private finance

BY ALAN PIKE AND TOM LYNCH

THE GOVERNMENT is conducting a far-reaching review of the funding of the National Health Service, with particular emphasis on increasing private investment and encouraging competition between hospitals, Mr Tony Newton, the Health Minister, indicated yesterday.

"We are looking very hard at a whole variety of ways we can add other forms of income on top of the extra resources we make available from the taxpayer," he said.

His department was also examining "the way we can use all the resources, from whichever quarter, better than we do sometimes at the moment and how we can promote greater co-operation between the public and the private sectors, to the benefit of NHS patients."

Mr Newton said it was "practical, sensible and desirable" to look to the private sector to create facilities which could be partly used by the NHS. More private money was spent on health in other countries and "it must be sensible to see if we can increase the total amount going into health and make good use of those resources to help NHS patients."

The idea of increasing competition between hospitals – favoured by 75 per cent of Tory members of parliament in a London Weekend Television poll published yesterday – was "something that has got quite a lot going for it."

He did not comment on whether private medical insurance should attract tax relief – an idea backed by 65 per cent of the 135 Tory MPs polled by LWT, but which was rejected out of hand by Mrs Margaret Thatcher, the Prime Minister, in the House of Commons last week.

Mr Newton expressed sympathy with the idea that hospital patients should pay "hotel" charges for items such as food and laundry, but was dubious about their practicality, and he rejected charges for visits to family doctors.

Comments from Conservative MPs in parliament over the past few weeks suggest that there may be resistance to the extension of charges, which is the likeliest short-term solution. More radical reform, despite widespread support, is unlikely before the next general election.

Mr Newton and Mr John Moore, the Social Services Secretary, are to meet the presidents of the three medical Royal Colleges who wrote to the Government last week complaining of a funding crisis in the NHS early in the new year.

The clamour from the medical profession and politicians, which culminated in last week's injection of an extra £100m into the NHS for the current financial year, has opened up a wider debate on whether the present basis of financing the NHS can ever be adequate.

The debate will be heavily influenced by studies of health-care finance now being carried out by the Institute of Health Services Management and the King's Fund Institute, a health service think tank. Both organisations are expected to produce reports in the spring.

The two organisations have already said that short-term solutions would not remedy long-term problems. The King's Fund said group after its meeting last week that it would be a mistake to respond simply with a "quick-fix" financial solution.

The King's Fund group has agreed to discuss a number of issues in detail, including new methods of income generation, the appropriate public/private mix in the provision and finance of health care and whether or not the scope of the NHS should be defined more tightly.

Pay deals follow variable trend

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE RANGE of pay settlements has become exceptionally broad and the trend particularly uncertain, according to the latest survey by Industrial Relations Services, the research group.

Taking the three months to the end of November, IRS says the median level of increase was provisionally 5 per cent – down 0.5 per cent on the comparable figure a month previously.

However, the median level weighted by the number of workers covered by each settlement was 7.7 per cent. This was the highest for two years.

Excluding the top and bottom 10 per cent of the settlements monitored, IRS says the remaining 80 per cent of deals fell within the relatively wide range of 3 per cent to 7.75 per cent.

The group notes that some of the key November settlements had yet to be included in the analysis. It says these could either reassert the upward trend apparent in the autumn, or confirm the present apparent diversity, "heralding a period of great uncertainty for pay bargainers."

Pay and Benefits Bulletin 198; IRS, 18-20 Highbury Place, London N5 1QP; by subscription.

Survey praises UK companies' progress

By Jimmy Burns, Labour Staff

BRITISH workers believe that, compared with 10 years ago, their companies are better organised and the quality of work produced is higher.

These are the main conclusions of the latest attitude survey published this weekend by International Survey Research, the Chicago-based research group and consultancy.

The survey covered more than 62,000 employees in 21 companies. These are described as a "cross-section" of industry and the financial services.

According to the survey, more UK employees in 1987 understand what is "expected of them in their job" (91 per cent compared to 89 per cent in a similar survey conducted 10 years ago), think that work is "well organised" (65 per cent compared to 59 per cent) and feel that "work flows smoothly in their department" (65 per cent compared to 48 per cent).

However, the number of those who feel more secure in their job has increased only 3 per cent, while the proportion of those disturbed by "excessive pressure in their job" has increased over the past decade from 38 per cent to 49 per cent.

Downward communication in UK companies remains poor, with more than three quarters of those featuring in the survey hearing about key company decisions first through "grapevine or rumours".

In spite of some of the negative findings, the survey concludes that generally UK companies had made "significant strides" over the past decade

'A Decade of Positive Change: Attitude of UK Employees 1977-1987.' ISR International Survey Research Ltd 11-12 Buckingham Gate, London SW1E 6LB.

Liberal leader takes strong stand in row on ties with SDP

BY TOM LYNCH

MR DAVID STEEL, the Liberal leader, yesterday insisted that the constitution of a merged Liberal and Social Democratic Party must include the specific commitments to Nato, the United Nations, the European Community and the Commonwealth, agreed in negotiations with the SDP.

He rejected a call from the Liberal Party Council to renegotiate the package to place the commitments in a policy statement rather than the preamble to the constitution.

However, he added that the council's rejection of "Alliance" as the short title of the New Liberal and Social Democratic Party was "not a matter we should fight over."

The row generated by the party council meeting, which was considering the draft constitution for a merged party at the weekend, was seized on by those in the SDP who are sceptical about the proposed merger, but was dismissed by sources close to Mr Steel as something that would be forgotten once the new party was up and running.

Mr Steel was at pains to play down the "unhelpful reservations" about the merger package expressed by the activist-dominated party council. He understood its argument that the commitment to the four organisations should be contained in a policy statement, while the preamble to the constitution should consist of principles more durable than any organisation formed to carry them out.

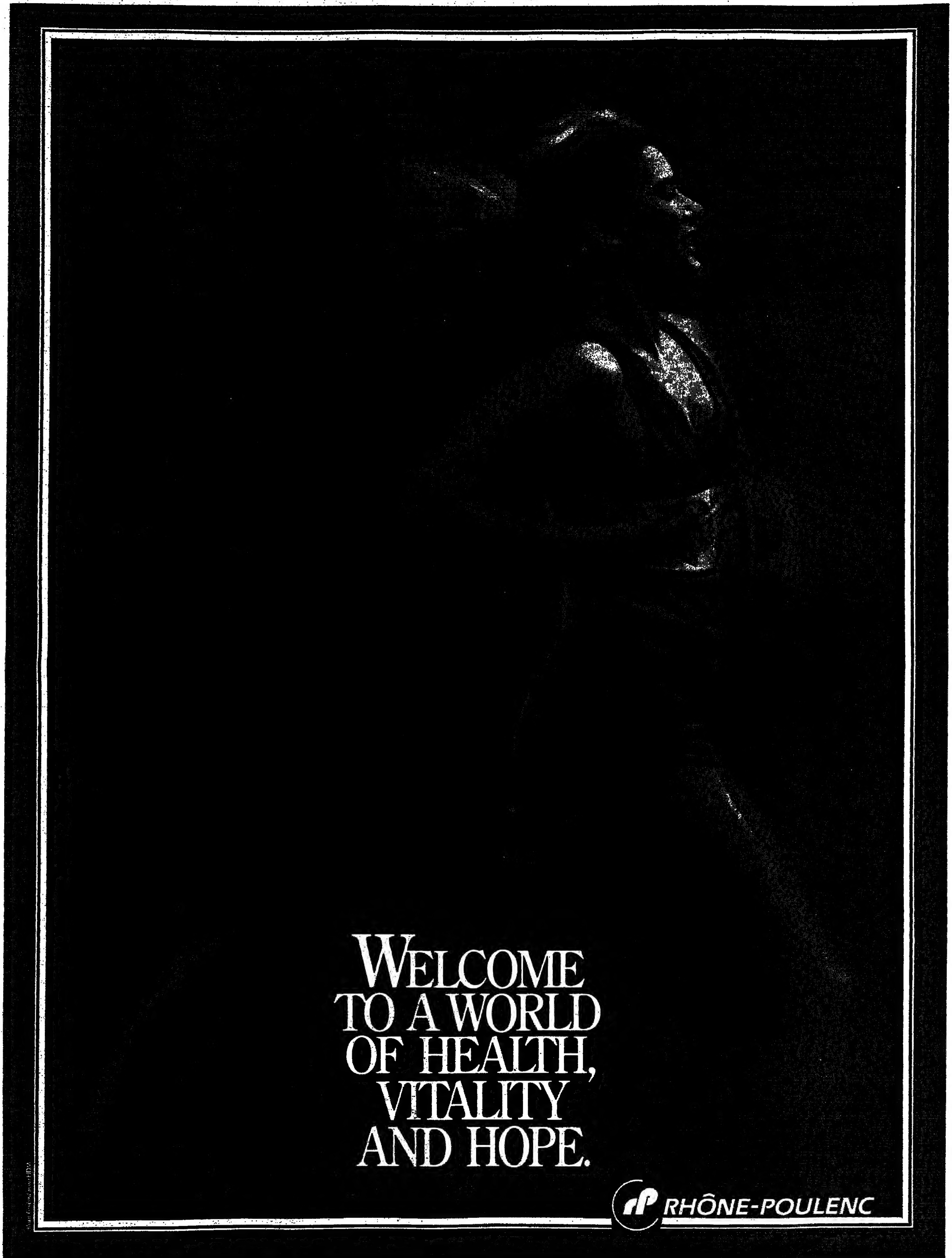
However, the commitment was already in the preamble to the SDP's constitution and "to launch a new party removing this would give a weapon to our enemies. We would face the accusation we were soft on defence or unsound in our commitments to international organisations.

"The political reality is that we are handing no weapons to our opponents, so as far as I am concerned, it stays very firmly in the preamble to the constitution. There is no question of us reopening this."

He did not want a split on the issue, but conceded that the new Alliance might "lose a few members off either edge" of the Liberal Party or the SDP.

Mr Michael Meadowcroft, the former Liberal member of parliament and the party's president-elect, warned that the merger still might not happen, but said both parties' special conferences next month would be "looking into the abyss" of what would happen without it.

Mr Steel stressed that the council meeting was part of a wider consultation exercise by the negotiators of both parties, and that its views would be considered in the same way as those of any other party members. The negotiators are due to meet next month, when there will be a final opportunity


WELCOME
TO A WORLD
OF HEALTH,
VITALITY
AND HOPE.
RHÔNE-POULENC

UK NEWS

Channel Tunnel rail deal may use MoD-style curbs

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH RAIL is considering ways of modelling a £400m contract to build high-speed trains for the Channel tunnel on contracts used by the Ministry of Defence to control procurement costs from monopoly suppliers.

That is one of a number of ideas floated by BR in discussions on procurement with SNCF of France and SNCB of Belgium, its partners in the rolling stock project.

The three railway authorities have accepted that the contract will almost certainly have to be awarded to an Anglo-French-Belgian consortium which has emerged as the only bidder.

The consortium includes manufacturers in each country, and has agreed an equitable division of work that meets political demands in each country.

However, BR remains unhappy with the arrangement because it will have to abandon its policy of competitive procurement, which managers believe has saved millions of pounds.

The use of MoD-style contracts was raised by BR at a meeting with SNCF and SNCB in Paris last week, and is thought to have been sympathetically received.

The contracts were introduced three years ago by the MoD in pursuit of value for money from the 40 per cent of defence procurement contracts not subject to competition.

The contracts specify an agreed cost for the product, plus an allowance for profit based on a rate of return comparable with the average for British industry.

BR says the production costs of components for the high-speed trains would be relatively simple to determine because the contract would specify the use of proven technology.

An alternative being canvassed by BR is for the consortium to sub-contract as much of the work as possible, and to agree to a high level of competition among sub-contractors.

Such a system could also include performance incentives and penalties, and provision for the railway authorities to inspect sub-contractors' financial records.

A large part of the project could be subject to sub-contracting, including key items such as traction units and transformers, as well as coaches, interior equipment and assembly.

Mr Malcolm Southgate, head of BR's Channel tunnel planning team, said it was difficult to see how normal competitive policy could be maintained. But he added: "We shall be doing our damnedest to ensure that we believe we have got value for money."

The contract, which will probably be awarded next autumn, is for 40 trains capable of operating at 180mph on British and Continental track. Services are expected to start in 1993.

The members of the consortium bidding for the project are: British Rail Engineering, GEC Transportation Projects, Brush Electrical Machines and Metro-Cammell of the UK; Alsthom, ANF Industrie and De Dietrich of France; and BN and ACEC of Belgium.

The consortium has agreed that the French and British companies will each take 44 per cent of the work, with the balance going to Belgium. Electrical design would be led by GEC, and mechanical work by Alsthom.

The contract is separate from the fleet of shuttle trains to be used by Eurotunnel, the tunnel contractor, to carry vehicles between terminals in the UK and France.

PET sets a Capp at party drinking

By Maggie Urry

WHEN Andy Capp sends his wife out to buy beer he might not say: "Bring me back a bottle, pet" any more, but rather: "Bring me back a PET bottle."

The use of PET – polyester terephthalate – for alcoholic drinks bottles has grown rapidly in the last five years, according to a survey by the Economist Intelligence Unit.

While PET bottles have been used in the UK for carbonated soft drinks since the late 1970s, it was not until 1981 that cider was first sold in PET bottles, and 1982 for beer.

In 1986, the EIU says, 11 per cent of take-home beer was packaged in PET bottles, mainly the two-litre size. The losers have been glass bottles, down from a 15.5 per cent share in 1982 to 6.9 per cent in 1987, and large party cans, which have disappeared.

As for cider, PET bottles now account for half the take-home market.

While consumers prefer beer in cans, the survey reckons they see the advantages of the large PET bottles in terms of weight, resealability and economy, especially for parties.

The EIU predicts a market growth for beer PET bottles from 52m units in 1986 to 75m-80m units by 1990, and from 25m to 50m for cider.

However, PET bottles are much less likely to catch on for wines and spirits, where the quality image of glass is preferred.

The exception is in airline miniatures. A glass miniature weighs 59 grams more than a PET one. Thus on 1,000 miniatures the weight saving is nearly 60 kg – equivalent to one lightly built passenger.

SE and business group urge state review of capital taxes

BY SIMON HOLBERTON

THE GOVERNMENT has been called on to modify or abolish capital taxes in next spring's Budget.

The Stock Exchange says in a pre-Budget submission that capital gains tax distorts the efficient working of financial markets and calls for its abolition.

In a separate submission, the Association of Independent Businesses (AIB), says capital taxes are crippling the expansion of the small business sector.

The Chancellor, Mr Nigel Lawson, has made the reform of UK taxation one of his key policy aims in the life of the current Parliament.

Many independent economists believe next spring's Budget will offer him one of the best opportunities to carry out this reform, given the current strength of the Government's finances.

The Stock Exchange urges the Government to modify the application of the capital gains tax if, for political reasons, it is unable to abolish it.

It says: "Gains made within six months should attract the highest rate, and the tax taper to nothing after three years. This would encourage more investment and would be unlikely to have any adverse effect on revenue."

Nigel Lawson: tax reform one of his key aims

The AIB says the present method of taxing inherited capital is having a damaging effect on business and the economy because it promotes a one-generation society.

Mr David Selby, chairman of the association's tax committee, says: "An increasing number of businesses are being disbanded simply in order to pay the Inheritance Tax on the death of the owner. The ownership of capital is moving away from individuals and into the hand of Government."

Both groups have called on the Government to abolish stamp duty on share transactions.

The Stock Exchange says stamp duty, even at ½ per cent, is a high proportion of dealing costs.

It adds that if London wants to remain Europe's main financial centre it will have to eliminate all impediments to its efficiency, especially in the context of the EC's aim of a unified market by 1992, after which "pressures for freedom of movement in financial services will become very strong."

The AIB has also called for the abolition of the 1 per cent stamp duty on property. It says that would encourage labour mobility.

Labour call to stop BP taking over Britoil

By Tom Lynch

THE GOVERNMENT should stand firm by using its "golden share" in Britoil, the Glasgow-based oil company, to prevent the proposed £2.27bn takeover by BP, Mr John Smith, the shadow Chancellor, said yesterday.

Speaking on BBC Radio, he commended the Government for making clear that it would use the "golden share" to prevent any bidder gaining control of Britoil and said he was surprised by BP's decision to pursue its 450p-a-share bid, which on Friday plunged the City into confusion.

"The Government has a duty to demonstrate that the 'golden share' has the power the Government advertised for it." If the device did not work in the case of Britoil, it would not be effective in other privatised companies, such as British Aerospace.

Mr Smith said he would be "very surprised" if the Takeover Panel allowed the BP bid.

If the panel did let the bid go ahead, opening the way for BP to acquire the shares with only 49 per cent of the voting rights, "then we are in a considerable muddle: the Government has to sort it out."

"If it has the determination, the Government can win, which is why I am rather surprised by the aggressive attitude of BP."

Mr Smith argued that the bid should not be allowed, because it would give BP too much say in the North Sea and because there was "a great deal of sensitivity" on the issue in Scotland.

Order for two gas platforms off Lancashire

By Lucy Kellaway

NEW ORDERS that will create up to 650 jobs directly and 1,000 jobs indirectly in the depressed offshore supplies industry have been announced by British Gas.

The company has placed a £60m contract to build two drilling platforms for its Morecambe Bay gas field off the Lancashire coast.

The contract has been awarded to a joint venture company owned by Press Offshore and McDermott International.

The work, which will last for a year and a half, will be welcomed by the two fabrication yards at Wallsend on Tyneside and Ardersier, near Inverness, in Scotland, which have been short of work after last year's collapse in the oil price.

Morecambe Bay, which started gas production in 1985, has been designed to produce gas when demand is highest.

British Gas said it would meet 10 per cent of UK demand during the peak winter period.

Financial crisis 'threat to Mersey road tunnels'

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MERSEYSIDE Chamber of Commerce has blamed the Government for a financial crisis threatening to close one of the two Mersey road tunnels and to raise tolls sharply to help meet spiralling debt charges.

The elder of the two tunnels, Queensway, was opened in 1933 and links Liverpool with Birkenhead. Tolls would have completely paid for this had new debt not been incurred to build the Kingsway tunnel, a Liverpool-Wallasey link into the motorway network, which opened in 1971.

The Chamber says that higher tolls would act against business development in a region already in economic trouble. The present one-way charge is 50p for cars and £1 for lorries. The chamber wants the tunnels to be regarded as a normal part of the national road network and be toll-free.

It believes government policy is inconsistent because three new bridges in the Scottish Highlands – Kessock, Cromarty and Kylesku – are all toll-free. Also the Government has invited the Humber Bridge Authority to submit proposals for writing off a large part of its £256m debt, now acknowledged as unserviceable out of toll revenues.

There are 11 tolled crossings in Britain, with capital debts of about £500m between them. The all-party House of Commons Transport Committee pointed out last year that two thirds of that is owed to the Government.

Since the money has been spent already, the implication of writing off that portion is nil. The other third is owed to local authorities. The committee reported that abolishing tolls over five years and discharging the remaining debt would cost £22m.

The Mersey tunnels are carrying a capital debt of £115m. They cost £21.9m a year to operate, but £14.3m of that goes to pay debt charges. The debt has been rising steadily since the mid-1970s, when Parliament allowed the tunnels' deficit to be capitalised.

Tap water 'safe and no filters needed'

TAP WATER in England and Wales was safe, cheap, its standard rising, and there is no health need to buy bottled water or to use filters, the Water Authorities Association said yesterday.

Its paper, Drinking Water Quality: The Facts, decried filters.

US bank warns over deficit

BY SIMON HOLBERTON

BRITAIN is in no better position to weather an extended deterioration in its current account on the balance of payments than it was in the 1960s or 1970s, according to a study by Goldman Sachs, the US investment bank, yesterday.

The UK current account moved into deficit last year and has begun to assume importance for financial markets and offical policy makers.

However, Goldman Sachs also says that UK and worldwide trade data are unreliable and the UK's current account deficit may be overstated. Next year, it expects only a small current-account deficit, but warns of longer-term problems.

The current account of the balance of payments is of concern in so far as it is related to the stock of productive capital, and judged against that yardstick very little has changed from earlier periods.

"The rise in investment overseas in the 1980s has been accompanied by a simultaneous fall in investment rates at home, especially in productive assets," it says.

The future depends on whether any shift into current-account deficit is accompanied by extra investment at home. The likelihood is, however, that foreign inflows would be used to support consumption rather than boost domestic investment.

"These would be the right conditions long-term for currency crisis and, eventually, for collapsing sterling", the study says.

The US investment bank says the existence of a large stock of external assets does not make a current-account deficit inherently easier to finance.

● There is no case for another cut in interest rates and the Government should use exchange-rate policy to bear down on inflation, Liverpool University's economic research group said yesterday.

Car traders ask for sterling stability

BY JOHN GRIFFITHS

THE UK market for cars and trucks will decline next year; as a result, exports will assume even greater importance, so it is "essential" that sterling stays at a level that will not damage international competitiveness, according to the Society of Motor Manufacturers and Traders.

In a lengthy, pre-Budget submission to the Chancellor, the SMMT is warning that any significant reduction in car output "would greatly harm the hard-won progress which has been made by British-based manufacturers in recent years."

Car output has risen by nearly 40 per cent since 1982, from 880,000 to an expected 1.2m this year.

"The time has now come for full British membership of the European Monetary System (the 'snake')," urges the SMMT. "While this might involve the risk of more volatile interest rates, it would help to eradicate unpredictable short-term fluctuations in the nominal value of sterling and could also help bring UK interest rates more into line with major European competitors."

The SMMT makes a number of other, often-repeated, appeals to which the Government has consistently turned a deaf ear.

Go-ahead for N Sea oil field

By Lucy Kellaway

OCCIDENTAL PETROLEUM, the US oil company headed by Mr Armand Hammer, has announced that it has been given approval for its £35m development of the Chanter field in the North Sea.

The field, discovered in 1985, will be developed using subsea technology and will be tied into the Piper platform.

Mr Peter Morrison, Energy Minister, said: "The subsea system which Occidental propose to employ in developing the field is a clear demonstration of how innovative companies can reduce costs and develop small oil fields despite uncertainties over oil prices."

Matchbox plans to revive Dinky model car brand

BY NICK GARNETT

DINKY, one of the most evocative names in toy making, is being reborn as a brand for miniature cars. Matchbox intends introducing a range of die-cast metal miniature vehicles branded as Dinky later next year, and plans to announce that next month at the Harrogate toy fair.

However, the new Dinkies will be manufactured in Asia, almost certainly at the huge die-casting plant in Macao operated by Matchbox, part of the Universal Holdings group, of Hong Kong.

Reviving the Dinky name will probably excite more nostalgia in adults than joy among children. Stretching back into the 1930s, Dinky became virtually a generic word for a toy car.

Matchbox makes all its die-cast models in Macao and China. This year, it ended die-cast model manufacturing in the UK when it transferred production of its Yesteryear range from its Rochford plant, in Essex.

Matchbox, the world's largest producer of die-cast toys, purchased the Dinky name this year from Kenner Parker, the US toy company.

Mr Gerry Tekerian, Matchbox marketing manager for the UK, said the new range would be "collectable".

Matchbox had done a lot of market research and the new Dinky "would retain the essence of what the Dinky means to people."

The company had to start "from scratch" with the Dinky, because there were no new production moulds. Mr Tekerian declined to give further details on the scale of the new models, their styling or packaging.

Dinky was a victim of the spate of company collapses that changed the face of the UK toy industry in the early 1980s. It was part of Airfix, which went into receivership in 1981.

During the following two years, other miniature-car makers stumbled. Lesney ran into difficulties and Mettoy, which owned Corgi, went bankrupt.

However, miniature-car making has been recovering in the UK. Corgi, the subject of a management buy-out in 1984, is now making more than 30m miniature vehicles a year at its plant in Swansea and claims more than a third of the UK market.

Other manufacturers include Lledo, founded by Mr Jack O'Dell, a former senior manager at Lesney, Britains, and a host of specialist model makers.

Halifax fights cash dispenser vandals

BY RICHARD WATERS

HALIFAX Building Society is cracking down on vandals who have rendered inoperable about 50 of its cash dispensing machines during the last year.

It is installing surveillance equipment at some high-risk machines and is offering a reward to anyone who helps to identify vandals who are subsequently prosecuted. The size of the reward will depend on the circumstances, but is thought likely to be around £100.

The society, which has 700 through-the-wall Cardcash machines, refused to describe the types of violence meted out to its machines for fear of encouraging copycat attacks, but it hinted that crowbars had been used occasionally.

The Halifax said it was taking the steps "more in sorrow than in anger".

The society spent about £150,000 last year mending vandalised machines. Those attacked, which tend to be in inner-city areas, are often damaged several times a year.

Other institutions with cash dispensers report few instances of vandalism.

However, the TSB said yesterday that it had just completed a renovation of all its 674 through-the-wall dispensers, begun a year ago.

The Halifax, which said it did not underestimate the ingenuity of the vandals, is to place its surveillance equipment well out of their reach.

Air show 'likely to be the largest yet'

By Michael Donne, Aerospace Correspondent

NEXT SEPTEMBER'S Farnborough international air show is likely to be the biggest yet, with the Society of British Aerospace Companies being inundated with requests for attendance from home and overseas companies.

The SBAC, responding to reports that British Aerospace was considering reducing its participation in the Farnborough flying display as a means of cutting costs, said demands for chalets and exhibition space were well up on 1986, but "we expect to be able to satisfy the requirements of all exhibitors this time."

The SBAC added that planning for the flying display itself would begin early next year "when companies have informed us what aircraft they wish to show."

BAe has confirmed that while it will continue to support the next Farnborough show and has no plans to abandon it for a private display of its own, the heavy costs involved in Farnborough are likely to restrict the number of aircraft it enters for the flying display. On present planning, these will be the Advanced Turbo-prop (ATP) airliner, the advanced Type 146-300 jetliner and the Hawk light trainer/combat aircraft.

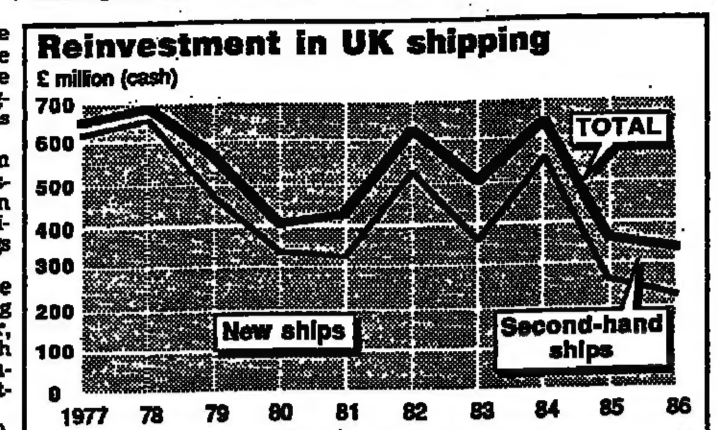
The BAe view is that the costs of entering additional aircraft – for example such military types as the Tornado multi-role combat aircraft, the Harrier vertical take-off fighter, and the EAP experimental aircraft, which embodies much of the advanced technology for the future European Fighter Aircraft (EFA) – ought to be shared by the industry as a whole.

That is because such demonstrations, in helping to sell those aircraft, benefit the equipment and avionics manufacturers as much as BAe itself.

It seems likely that this view will be discussed at some length as the individual members of the SBAC work out the details of their aircraft entries for the September show.

Kevin Brown examines whether the shipping industry is crying wolf

Shipowners launch another plea



BRITISH SHIPOWNERS have probably used much paper in the past decade trying to persuade governments they are not exaggerating the severity of the crisis facing the industry.

The response has varied from the disbelieving to the dismissive, and when action has been taken it has often had only minimal effect, or even made things worse.

None the less, the owners have kept plugging away, launching one campaign after another, spearheaded each year by a fresh chairman of their trade association, the General Council of British Shipowners.

The latest appeal is in a 30-page analysis of the industry sent to ministers last week. The document, The Future of the British Merchant Fleet, has new ideas and seeks to explain why the Government should decide that shipping matters enough to deserve fiscal support.

The council hopes the document will, at least, stimulate a Cabinet debate before Mr Nigel Lawson, Chancellor, drafts his Budget, expected in March.

However, the prospects of intervention by him, or by Mr Paul Channon, the Transport Secretary, are regarded as minimal, even by council officials.

Mr Kerry St Johnstone, council president and chairman of P & OCL, the container line, said the analysis had "landed with a dull thud on Paul Channon's desk."

He added: "I personally licked the stamps for Numbers 10 and 11 Downing Street. That is about the only satisfaction we are likely to get out of it, I suspect."

The crux of the shipowners' case is that there has been a dramatic decline in the number and tonnage of UK shipping since the start of a worldwide maritime recession in the wake of the early-1970s oil crisis

The council has figures showing that the UK-owned and registered fleet has fallen from a peak of 1,614 ships of about 50m tons deadweight in 1975 to 400 ships of 5.9m tons dwt this year. It says if nothing is done, the fleet might collapse to as few as 100 ships by 1995, implying almost the extinction of the UK as a maritime nation.

To avoid that, the owners propose a range of aids on capital spending and running costs to promote investment in new ships.

On the capital side, they want reintroduction of capital investment allowances, abolished by Mr Lawson in 1984 in his reform of corporate taxation. The council says that, discounting cuts in the tax rate since 1984, the capital allowances were worth £25m per 100 ships *more* than the less generous writing-down allowances that replaced them.

Because the Government shows no sign of reversing the 1984 reforms, the council proposes alternatives to recover the lost £25m:

- Roll-over relief for balancing charges. That means the Treasury would forgo tax on profits on ships in excess of written-down value, provided the money was reinvested in shipping.
- Use of powers under the 1972 Industry Act to provide grants for ships available for emergency requisition.

The range of possible help with running costs is more varied. It includes contributions towards the cost of training and flying crews to and from ships; remission of income tax and social security payments to cut wage bills; and grants to cover employment of British seafarers.

That would be in addition to limited help along similar lines announced by Mr John Moore, then Transport Secretary, and included in the Merchant Shipping Bill now passing through Parliament.

The cost of the council's proposed measures would depend on what the combination was and how they were taken up by owners. Estimates range from £130m a year to £200m.

The owners say that if action is not taken, aging ships, many ordered under the generous regime of the 1970s, would not be replaced, leading to loss of:

- Control of British trade.
- A £1.5bn to £2bn balance-of-payments contribution.
- Important maritime ancillary industries, such as broking and insurance.
- 25,000 seafaring jobs - down from 50,000 five years ago - and 100,000 shipping-dependent jobs.
- Vital merchant support for the North Atlantic Treaty Organisation's naval deterrent forces.

In talks with government, the council has concentrated on the defence argument largely because the owners judge that to be the only issue likely to reach the Prime Minister and thus secure action.

However, no action can be expected on those grounds until publication of a Nato report on merchant requirements, expected in about 18 months.

In economic terms, the owners are on less solid ground. In spite of the long recession, there have been no spectacular collapses in the UK and most shipping companies are profitable, although many have found success by diversifying into other areas. They include Peninsular & Oriental Steam Navigation, and Ocean Transport & Trading.

Ministers say shipowners have reacted well to the difficult market conditions, and, like much of the rest of industry, are fitter and leaner as a result.

They say that when demand improves, shipowners will react in the same rational way in which they coped with recession: investment will resume without handing over public subsidies.

Further, ministers say the decline of the UK-flag fleet is less important than the number of ships under British control, which includes 235 vessels owned by UK companies but registered in the Isle of Man, British dependent territories and elsewhere.

That means the actual level of the UK-owned fleet is 16.9m tons dwt, a 66 per cent fall since 1975. This is comparable with the experience of other European maritime nations such as Norway (77 per cent) and France (56 per cent).

There is also evidence the fall is at a plateau this year and that the fleet is likely to remain about 17m tons dwt.

If shipowners' pleas for help are not to fall on deaf ears, the owners have to convince the Government they are not seeking unnecessary subsidies. For now, ministers seem likely to conclude that, with the possible exception of defence implications, for which a decision will await the Nato report, the owners are still crying wolf.

N Ireland threatens Lever boycott

Financial Times Reporter

SUPERMARKET CHAINS in Northern Ireland are threatening to boycott orders for the 29 consumer products of Lever Brothers, after the company's decision to take Northern Ireland out of its UK pricing structure and impose an additional 4 per cent for delivery costs.

The Northern Ireland Consumer Council is supporting that stance until the policy is reversed. The brands of Lever Brothers, Unilever's soaps and detergents subsidiary, include Persil, Domestos and Comfort.

Mr Ron Savage, marketing director of grocery wholesaler John Henderson, said: "There is no way that we will accept anything other than general UK prices. A very strong principle is involved. We are unanimously and immediately de-listing Lever Brothers' products – you can call it a boycott if you like."

Mr Sean Fearon, Northern Ireland manager for Dublin-based Dunnes Stores, with 21 supermarkets in the North, said: "Lever Brothers can whistle for orders after this as far as we are concerned. The trade is very upset."

Lever confirmed on Tuesday the decision to group Northern Ireland together with the Channel Islands and Isle of Man in a new (island) pricing structure in spite of protests by the provincial grocery trade and the Consumer Council over the impending price rise, to take effect on January 4.

According to Lever: "The company can no longer absorb the transport costs in what is a very competitive market with slim margins."

APPOINTMENTS

BP Oil International head

BRITISH PETROLEUM COMPANY is to appoint **Mr Russell Seal** as chief executive and managing director of BP Oil International from February 29. He succeeds **Mr James Ross** who has been appointed vice chairman and chief executive officer of BP America Inc.

Mr Seal joined BP in 1964, and worked in New York and Rotterdam. After a period in the Far East, he returned to London as general manager of the trade and supply department responsible for international trading worldwide and the running of the group's refining interests in Rotterdam and Antwerp. This year responsibility for the manufacturing and supply business development unit and international marine operations was added. He is also a director of BP Oil International, BP Minerals, and a member of the management committee of BP Finance International.

★

The new group managing director and chief executive officer of CONOCO LIMITED is **Mr Terry Moore.** Mr Moore, previously managing director, supply and trading, Europe, will be responsible for the company's refining and marketing activities in the UK and European supply and trading operations. Mr Moore's former job goes to **Mr David Watts.**

★

ROBERT M. DOUGLAS HOLDINGS has appointed three directors to the board of R.M.Douglas Construction from January 1. **Mr John S.S. Brown** will assume responsibility, as construction director, for all operations in the South of England including the East Midlands and civil engineering throughout the country. **Mr John C.B. Shaw** will assume corresponding responsibility for the North of England, including the West Midlands. **Mr Graham Wentzell** will be responsible for all special projects, including management contracting activities and the work of the design/build department.

★

Mr J. Adair Turner has been elected a principal of MCKINSEY & CO in the firm's London office.

★

Mr Michael MacLoughlin, general manager, branch banking, Britain, BANK of IRELAND, will retire on February 1. He will continue as a director of the bank's board in Britain. **Mr Pat O'Hara,** general manager, operations in Dublin, will succeed him as general manager, branch banking Britain.

★

At J.H. MINET & CO **Mr Robert Jensen** has been made an executive director of the North American marine division. **Mr Roger Myers** and **Mr Gary Drew** have been appointed directors of the North American marine division.

★

Ms Bridget Barker (banking, corporate); **Mr Peter Busby** (secured lending); **Mr Nigel Doran** (corporate tax); **Ms Susan Moverley** and **Mr Richard Reuben** (commercial property); and **Mr Robin Waterer** (corporate) have been appointed partners at MACFARLANES from January 1.

★

Mr Bernard G. Stroud has taken over as executive chairman, and **Mr Laurie H. Clifford** as managing director of CIRCAPRINT HOLDINGS.

★

Mr Colin Stanley becomes director general of the BRITISH PRINTING INDUSTRIES FEDERATION on April 1. He is a director of Wiggins Teape Paper.

★

M & N DWEK & CO., Manchester, a subsidiary of Dwek Group, has appointed **Mr Bob Wright, Mr Tony Burke** and **Mr Albert Iskinazi** to the board. All have been with the company sijnce the early 1970s.

★

HRGM MARINE, a subsidiary of HRGM Insurance Brokers, has appointed **Mr Michael J. Bohling** its managing director. He joined Hogg Robinson and Gardner Mountain in 1984 as director of the marine company

Mr Quinton Hazell has been appointed non-executive chairman of AEROSPACE ENGINEERING. He succeeds **Mr Simon Knott** who has been elecedt deputy chairman.

★

Mr Tony Arrowsmith, Mr Simon Barrow, Mr Miles Broadbent, Ms Angela Heylin, Mr Michael Prideaux and **Mr Michael Williams,** chief executives of Charles Barker group's principal operating companies, haver been appointed executive directors of CHARLES BARKER PLC.

★

MORGAN GRENFELL & CO is making the following board appointments from January 1: **Mr R.D.Abbott, Mr J.P. Asquith, Mr B.J.Cook, Mr G. Michie, Mr D.H. Thomas, Mr L.J. Dowley, Mr R.J. Kretowics, Mr R.P. Macnamara. Mr C.D. Nicholson** and **Mr C.M.Berry.** Morgan Grenfell Asset Management has appointed **Mr Ian Harris** to the board from January 1.

★

Mr Peter D. Jenner has been appointed technical services director of the LEVITT GROUP and **Mr Alan P. Johnson** investment director.

★

Mr John M. Holton has been appointed a director of HARTLEY COOPER ASSOCIATES.

★

ROYAL TRUST BANK has made the following appointments: **Mr David Jones** becomes divisional director, operations, and **Mr Malcolm Fergusson,** senior manager, commercial lending.

★

Mr Hamish Mcphie has been appointed group controller at BTR, based at its London head office. He was group chief accountant at Babcock International.

★

LAZARD BROTHERS & CO has appointed **Mr Philip Hampton, Mr Neil Lukes, Mr John Scott,** and **Mr Kevin Wilson** directors from January 1. Mr Hampton and Mr Scott are assistant directors in the corporate finance and international division, Mr Lukes is an assistant director in the banking division and Mr Wilson is managing director of Lazard Money Broking.

★

Mr Tony Slaughter has been appointed chief executive of ST.JAMES'S PUBLIC RELATIONS and a director of the parent company, St. James's Corporate Communications. He was a director at Burson-Marsteller Financial and a main board director of Burson-Marsteller.

★

Sir Alex Fletcher, former Corporate and Consumer Affairs Minister, has been appointed to the board of FLETCHER JONES, the company formed by his son Richard in 1979.

OVERSEAS NEWS

Japanese win £30m printing press order

BY NICK GARNETT

KOMORI, the Japanese printing press manufacturer, has won a £30m order to supply eight presses to Imprimerie Jean Didier, the French printing company.

It is the biggest order secured by Komori in Europe and one of the largest single orders ever placed for commercial web offset presses.

The deal reflects the attempt by Japanese companies to take a larger share of the intensely competitive market for printing machinery.

The world's largest suppliers of this equipment are West Germany, with companies such as MAN and Heidelberg, and the US whose producers include Harris and Goss.

Komori claims to have almost 40 per cent of the Japanese market for web offset presses and exported last year £100m of equipment.

Imprimerie Jean Didier, which has four factories in Europe, says it supplies more than a quarter of web offset printing in France and 7 per cent of European web offset printing.

Paris strikers end bank sit-in

THE 18-DAY occupation of Bank of France's Paris headquarters ended after a draft accord was agreed between striking workers and management, **Reuter reports from Paris.**

Talks over staffing, wages, pensions and the bank's future activities were continuing.

A joint statement by unions and management said activity at the bank should return gradually to normal from today.

A union spokesman said strikers would consider other forms of protest if the talks failed.

US official warns of big rift with EC over Airbus

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE US and the European Community are heading for a serious rift over subsidies on Airbus aircraft unless one side backs down, a top US trade official has warned.

In a background briefing for US journalists, the official said a false impression of progress had arisen in Europe following the meeting in Brussels on Airbus ten days ago between Mr Clayton Yeutter, US Trade Representative, and Mr Willy de Clercq, EC Trade Commissioner.

In fact deep disagreement remained and the the two sides were still "far apart philosophically".

He said doubts were growing in Washington about the value of pursuing the Airbus discussions in the absence of fresh political momentum from Europe. The talks could make little progress because the Europeans insisted on maintaining Airbus subsidies.

The Reagan Administration expected to review the Airbus situation at cabinet level in the New Year, he said. It would be difficult for the US to back down, however, because of strong pressure from Boeing and McDonnell Douglas, which argue that their business is threatened by the Airbus subsidies.

There was therefore growing risk of a trade war in the world market for commercial aircraft, which Airbus calculates will be worth $400bn over the next 20 years. The US official said Airbus had become "the single most important trade issue between the US and Europe".

In Brussels the EC Commission said at the weekend that the official's remarks showed a hardline faction over Airbus had emerged in the Reagan Administration, but his insistence on anonymity implied that his views were not necessarily those of the Administration as a whole. Mr de Clercq and Mr Yeutter had agreed at their meeting that the talks should continue.

"We are in the process of negotiating. We are prepared to negotiate. They have said that they are prepared to negotiate," the Commission said. "We feel it will be very difficult to reach agreement. We hope it will be possible, because everybody needs it."

Under the schedule set by the Brussels ministerial meeting negotations are to resume at official level in early January with a full ministerial meeting following, probably around the end of the month.

New delay to prop-fan project

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING appears to be further delaying development of its revolutionary fuel-saving 7J7 prop-fan airliner in the face of low aviation fuel prices and lack of interest from airlines in the 150-seat aircraft.

The aircraft was originally to begin full-scale development next summer, for service in 1992. But Boeing now says 1993 is the earliest likely in-service date, and that it may be 1994 or later.

The unique prop-fan engines use up to 40 per cent less fuel than conventional jet airliners.

However, many operators show no sign of phasing out their existing older cost-effective short-to-medium haul airliners, such as 727 tri-jets, while sales of other airliners such as Boeing's 737 twin-jet and the Airbus A-320, continue to be high.

Boeing remains convinced that the 7J7 will emerge by the mid-1990s, but earlier this year recognised that a stronger market response was necessary before committing large sums for full-scale development.

As a result, the engineering force on the 7J7 is being redeployed. The number of workers involved, already cut from 1,000 to 900 in October, is now down to 600, with a further cut to 300 planned over the next few weeks. These workers are being switched to other aircraft programmes.

Boeing has also reorganised the management of the 7J7 programme. It has set up a wider organisation to study advanced technology and design, and the 7J7, originally a separate division, has been incorporated into that.

Mr Alan Mulally, formerly director of engineering for the 7J7, will be general manager of the new organisation, with responsibility for other ventures, including Boeing's contribution to the US Government's studies on future high-speed commercial transport.

Boeing says that while discussions continue with potential 7J7 customers, it will "study the potential application of 7J7 technology to other programmes.

"Because of the major growth in air traffic projected between now and the year 2000, the new organisation structure will assure a synergistic approach to development and implementation of technical advances in all new and derivative Boeing products, including the high speed commercial transport under study."

SHIPPING REPORT

Opec talks unsettle tanker market

By Kevin Brown, Transport Correspondent

THE TANKER market was left confused last week by the uncertain outcome of the Opec meeting.

Brokers were forecasting prices could go into freefall as a result of the divisions among Opec members, and could drop to $15 per barrel or even $12 in the spring.

Theoretically, cheaper oil should increase demand for tankers, but as Galbraith's, the London brokers, pointed out, past experience indicates that this is likely only if prices remain stable.

Meanwhile, little business was being done in the Gulf, and a London charterer seeking a ship for a 250,000 tons cargo from Hormuz to the West received only two firm offers.

The oil was eventually fixed as part cargo in a 320,000 tons very large crude carrier at Worldscale 37.5, equivalent to about Worldscale 30 for a full cargo.

Otherwise, the Middle East was quiet, with some small ships fixed at Worldscale 42.5 to Worldscale 44 for the trip from Ras Tanurah to the Far East, and Worldscale 115 for 80,000 tons of crude to Sriracha.

Elsewhere, business was more brisk in West Africa, but rates suffered because of a surplus of available tonnage. Brokers said there was some hope that increasing orders would push rates up this week, however.

Business firmed in both the Mediterranean and North Sea, where owners were fixing at around Worldscale 100 for short voyages of 80,000 tons.

UK NEWS

Rosehaugh ponders role in private prison building

BY ANDREW TAYLOR

ROSEHAUGH, one of Britain's biggest office developers, has been considering whether it may have a role to play in building private prisons. The Government is to decide next year whether to allow private companies to finance, build or operate prisons.

Rosehaugh, together with its development partner Stanhope, is building the Broadgate office scheme, next to Liverpool Street station, which was formally opened by the Prince of Wales last week and is said to be Europe's biggest office development.

The company, which is understood to have had discussions with Chubb, the security specialist, is anxious to play down suggestions that it is preparing plans to build private prisons.

Mr Robert Freeman, a senior executive with Rosehaugh, had done no more than consider whether it might be worthwhile thinking about private prisons if the Government decided to move in that direction.

He said the company had regular discussions with all kinds of contractors, including Chubb, but that did not mean Rosehaugh was going to leap into the private prison market.

Several large construction companies have expressed an interest in the possibility of building and managing prisons and prison services privately.

Midland Bank and Tarmac, one of Britain's biggest construction companies, recently formed a consortium to design and build prisons that could financed either privately or with public funds.

Tarmac said the consortium would not want to manage prisons but would be prepared to offer ancillary services such as catering.

John Mowlem and Sir Robert McAlpine, two other large construction groups, have also announced a joint venture to investigate the possibility of privately financing, building and operating prisons as is the case in some US states.

The Home Office last week announced the establishment of the Prisons Building Board, which has been asked to produce a design brief that would allow sufficient flexibility to cope with the changing nature of prison populations.

Miss Margaret Clayton, director of services at the prisons department, will head the board. She said the establishment of a design brief would not preclude any decision the Government might wish to take on private financing and running of prisons.

A meagre Christmas for many

By Alan Pike

BRITAIN'S "two nations" do not disappear with the switching on of the Christmas lights, according to the Family Policy Studies Centre.

It says today that while the average British child will receive presents costing £70-£80 this week, the Christmas stockings of children living in families on supplementary benefit are likely to consist of more meagre items such as a £1.79 jigsaw and a 55p packet of crayons.

Mr Malcolm Wicks, the centre's director, said yesterday that children on benefit were likely to receive "the kind of presents most children would treat simply as stocking fillers."

A study of families on supplementary benefit published by the centre last year showed that a typical couple with two children would have £1.19 a week to spend on toys, stationery and similar goods and a single parent with one child £1.06. All routine household stationery requirements as well as Christmas and birthday presents and other gifts would have to be met from those amounts.

The centre, which receives both government and private financial support, compares the two images of Christmas to be experienced by British families this year in the winter issue of its bulletin.

It notes that up to 5m Christmas trees and 10m turkeys will be sold. Total expenditure on toys will be about £950m. About three fifths of the population regard the best part of Christmas as the family having an opportunity to get together – although half admitted in a recent survey to having blazing rows at home, usually over money.

The centre also notes that more than 2m children live in homes with incomes at or below supplementary benefit level, and nearly 1.3m are in families affected by unemployment. About 100,000 households will have become officially homeless during 1987.

Seasonal tile gift shows up market gap

By Andrew Taylor

A GOOD WILL gesture by a Stoke-on-Trent tile company, which decided to send a Christmas greeting to its customers on its ceramic tiles, has generated a new business for the company.

The Art Tile Company, which recently opened its first showrooms in London, produced 250 Christmas tiles to send to customers.

Mr Tim Evitt, managing director of the privately owned company making high fashion wall and floor tiles, said: "The response was astonishing. We were inundated with inquiries from people wanting us to make Christmas tiles so they could send them out to their customers.

"People are using the tiles, which carry an attractive Christmas scene, as coasters and teapot mats."

The company has since manufactured another 1,000 Christmas tiles which are selling extremely well at £2 a tile.

"We already have orders for 4,000 tiles for next Christmas," the company said.

Newsagents face holiday sales threat

FINANCIAL TIMES REPORTER

NEWSPAPER WHOLESALERS have threatened to withdraw supplies from Findlays Group newsagents if they do not stay open on Boxing Day to sell copies of the Daily Mirror, the Sun, Today and The Times, according to Mr Arundbhai Patel, Findlays chairman.

The National Federation of Retail Newsagents has received scores of complaints from its corner-shop members that they are being bullied to stay open on a day when they do very little business, as a favour to the News International and Mirror Group newspapers, the first national titles to be published on December 26 for decades.

The publishers have assured the federation that no punitive action is to be taken against the 40,000-odd independent shops. However, they are all vulnerable to the threat that if they shut, the wholesaler may decide to supply a neighbourhood rival. At present wholesalers have territorial monopolies outside London and can decide whom they wish to supply.

Wholesalers themselves are fearful of losing up to a third of their business in the New Year when News Distribution opens up to tender the distribution rights of titles owned by Mr Rupert Murdoch's News International. They are clearly eager to demonstrate their loyalty by ensuring that the Boxing Day editions go well.

Mr Patel has stood firm against the wholesalers. His 280 stores will remain shut from December 25 to 28, but many independent shopkeepers are wavering.

The Martins newsagents chain, recently sold by Guinness to a group in which Mr Murdoch's News International has a large stake, planned to stay open for the whole of Boxing Day but after a staff revolt a compromise agreement was reached.

Most of Martins' 1,000 shops will open for three hours to get the Maxwell and Murdoch papers sold, and staff have been given generous pay awards for the day.

Paper rounds have been abandoned, however, to avoid publicity about paper boys being forced to deliver on Boxing Day.

Returned stolen painting brings second headache

BY NICK BUNKER

IT LOOKS like a Christmas tale of a repentant criminal returning his loot. It may actually be a puzzle for art historians that links 16th century Bologna with rural Hampshire.

On Friday, the Rev Ralph Gurr found a package in the porch of his church in Stoneham Lane, Southampton. Wrapped in dustbin liners was an old oil painting, measuring 18 by 15 inches.

It was identified by the Rev James Tarr as the painting stolen, along with a 17th-century Spanish silver cross, from his Norman church in nearby North Baddesley on the night of December 10.

It portrays Christ after his descent from the Cross, and it used to hang in a bricked-up chancel doorway, a gift from the Chamberlayne-MacDonald family, patrons of the living.

The silver cross is still missing. But the vicar and his parishioners still have a mystery to solve with the returned painting.

Although experts apparently declared it valueless 20 years ago, the vicar attributes it to Annibale Carracci (1560-1609), from Bologna, who painted the Galleria frescoes in the Palazzo Farnese in Rome.

On December 8, at a Phillips auction in London, Annibale Carracci's painting of the Holy Family with St Lucy sold for £845,000. "We'll have to have it valued," said the vicar yesterday. "But if it is a Carracci we'll have a problem on our hands."

CONSTRUCTION CONTRACTS

Road bridge replaces rail

More than 50 years since it was first proposed, the railway crossing at the West Sussex village of Goring-by-Sea is being replaced by a road bridge. Work on the single span reinforced and prestressed concrete structure is being carried out by **BIGGS WALL & COMPANY**, Arlesey, Beds., under a contract worth almost £1m awarded by West Sussex County Council. It is expected to be completed by early spring next year.

Initial earthworks has included re-grading settled material placed at the time of the village's development several decades ago. To this has been added 20,000 cu.metre of chalk fill for the approach embankments, 14,000 cu.metre on the northern side and 6,000 cu.metre to the south. This was placed in 200mm layers up to a maximum height of 5 metres, each layer being compacted by vibrating rollers. A traffic- screening bund was also formed along Coleridge Crescent, a residential road which lies parallel to the northern approach road.

The two abutments are each supported on 24 West's driven cast-in-place concrete piles, 16 raking and eight vertical, cast 10 metres deep. The foundations are 15.5 metres long x 4 metres wide x 1.5 metres deep to pile heads. The abutments themselves, constructed in single lifts, are 2 metres wide at the base tapering to 1 metre wide at the top with earth retaining wing walls extending from each side. SCB alloy- backed plywood-faced shuttering was used throughout the construction.

The bridge deck comprises *nine 18 metre span precast pres*tressed concrete beams supplied by Bryco Concrete of Taunton. These are standard inverted T beams, 1.04 metres deep x 970mm wide. The seven centre beams each weigh 18 tonnes and the outer or edge beams, on to which the fascia concrete has *been cast in-situ, each* weigh 40 tonnes. These were placed during two nights using a Krupp 350 tonnes capacity telescopic truck-mounted crane on hire from Baldwins of Slough. Completing the bridge deck is a reinforced concrete slab, 200mm thick at the edges rising to 300mm at the centre, and a brick-faced reinforced concrete parapet with concrete coping.

The contract includes a total of 600 metres of 7.3 metres wide associated road construction, with hot rolled asphalt finish. The roundabout at the approach from the *village* at the south has been realigned and improved. Other work includes surface drainage, landscaping and tree planting.

Variety of work for Laing

A medical centre, a swimming pool and a business park - all *three feature in recent contracts* awarded to the southern region of **JOHN LAING CONSTRUCTION**. Totalling £6.7m, work has started on all three sites and is due for completion next year. The largest contract (£2.5m) is at Mole Business Park, Leatherhead - covering phases 4A, B and C. Work will involve construction of three office/production units with a total gross floor area of 4,800 sq metres. JLC is carrying out the contract for Postel Property Services and it is due for completion in August.

The *southern region* is also carrying out a swimming pool refurbishment in Putney for Wandsworth Borough Council. Costing £2.3m, the work includes a glazed addition to the pool hall, redecoration, and refurbishment of the changing areas, staff area, entrance hall and toilets. Repairs to the pool roof and pool hall and the installation of extract ductwork and plant are included. The refurbishment is due for completion in April.

Work has started on a £1.9m design and construct contract for the North West Thames Regional Health Authority. Situated in Isleworth, the Marjory Warren Medical Centre, phase 2, is to have a three-storey wing which will comprise a geriatric day hospital on the ground floor and two geriatric wards on the upper floors. Alterations will be carried out to the existing building to complete the centre - the first phase of which was completed in 1984. The second phase is due for completion in *next October*.

Allied Dunbar office block

TAYLOR WOODROW CONSTRUCTION has started its third project in nine years in the centre of Swindon, Wilts., with the award of a £7.5m contract to build an office block for Allied Dunbar.

The contract has been placed by Taylor Woodrow Developments acting as development manager for Allied Dunbar. Work on the new building, to be known as Tricentre III, has started and is due for completion in March 1989.

The eight-storey building will provide 8,000 sq metres (gross) of office space and will have a reinforced concrete frame on mass concrete foundations. The structure will have curtain walling, external cladding and services, including air conditioning and lifts.

Tricentre III is similar in design to the previous two Allied Dunbar buildings in Milford *Street, Swindon, also built* by Taylor Woodrow. All three offices are a result of the development partnership between Allied Dunbar and Thamesdown Borough Council for the redevelopment of the central area of the town. Other amenities in the scheme include a bus interchange, multi-storey car park and a public square.

The first of the buildings - the Life Centre - was started in 1978 and received a Financial Times "Architecture at Work' commendation.

Homebase store for Wimbledon

WILLMOTT DIXON companies have recently won contracts totalling around £4.6 m. The largest of these has been awarded to Willmott Dixon Western of Hayes. It involves the construction *of a D.I.Y. store for Home*base at Wimbledon and is worth in the region of £2.3 m.

Willmott Dixon Housing of Shefford started work last month on a £1,58m contract in Walton on Thames where they are to build 42 homes For Elmbridge Borough Council.

A.E. Symes of Leyton has been awarded two contracts. One is worth in the region of £400,000 *and involves the construction of* six infill houses at Highbury Terrace Mews for Palladian Estates. The other is for the South Bank Board, worth around £200,000 and involves the refurbishment of the *Hungerford Room* and installation of air conditioning at the Royal Festival Hall.

The fifth contract has been awarded to Willmott Dixon London, based at *Hornsey*, and involves refurbishing an office store and warehouse at Southwark, London *for* Digital Equipment Co. The contract is worth around £152,000.

Williams Tarr industrial projects

WILLIAMS, TARR & COMPANY has been awarded design *and build contracts totalling* £3m. These are for the construction of a radio building for British Aerospace at Warton, valued at £750,000, and warehouses for Wardell Service Group at Stretton, Warrington, and Christian Salvesen (Food Services) at *Grange Industrial Estate*, Warrington, both with values in excess of £1m. Among other contracts received are a £2.5m factory development for Warrington & Runcorn Development Corporation at Manor Park, Runcorn; a *£600,000 factory extension at Huyton for Lucas Aerospace;* construction of a £275,000 pumping station at Clifton for N.W.W.A.; and a £275,000 production plant at Stretford for Courtaulds.

Sports hall in Scotland

A £400,000 leisure centre and library is being built at Menstrie, Clackmannanshire, by **BOVIS CONSTRUCTION** for Clackmannan District Council. The project is being undertaken as a design, manage and construct contract for completion next spring. The centre will take the form of a square sports hall containing two badminton courts and changing room, a reception area, and library.

To *blend with its village* setting, the single-storey centre has been designed with a low-rise pyramid roof spanning the sports hall, and extending down over the library and other areas. Extensive use will be *made of* exposed timbers for the internal ceiling finishes. The exterior is brick clad. Unobstructed vision from the reception area covers the main entrance, sports hall *entrance*, library, and changing room, which should simplify staffing.

£4m industrial developments

Grosvenor Square Properties Group has awarded **GEOFFREY OSBORNE** £4m worth of work on its two industrial/high tech developments in Crawley and Epsom. The high tech development of 43,000 sq feet on the two acre site in Gatwick Road, Crawley, is to be handled by the Maidstone office. The Epsom office will undertake the 79,000 sq feet industrial and warehouse development on the Longmead Industrial Estate, Epsom. Work on both is scheduled to start in January.

Financial sector orders

MANSELL has been awarded a number of contracts in the financial sector including the £1.2m office refurbishment at New London Bridge House, London Bridge, SE1 for Coutts & Company.

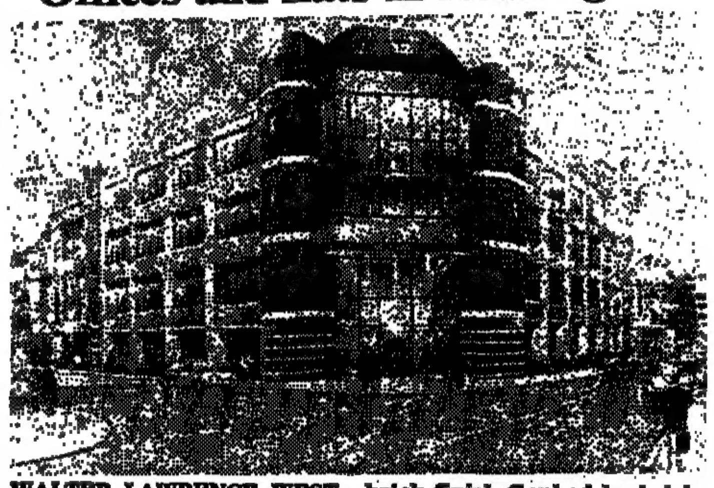
This involves stripping six *floors of offices* and erecting partitioning, suspended ceilings, raised flooring for computers, and air conditioning.

For National Girobank, a £320,000 conversion of second floor of Milk Street, London EC2 headquarters into a dealers' room. After stripping, work includes installation of raised *floors, partitioning, doors and* suspended ceilings and provision of electrical and data systems and associated works.

Other bank work includes £320,000 upgrading of a computer suite for Lloyds at Perrymount Road, Haywards Heath, Sussex; £300,000 re-roofing, including erection of temporary roof, of the Midland Bank College at Old Oxted, Surrey; £260,000 formation of revised banking hall and office layout for Midland Bank in West Street, Dorking, Surrey; and £130,000 repairs and redecorations to Midland Bank College in Betchworth, Surrey.

In addition, Mansell has won a *maintenance* contract for the Midland Bank at Gatwick Airport.

Offices and flats in Reading



WALTER LAWRENCE WESTERN, on behalf of Rockfort Land, has started work on building 47,000 sq ft of offices and flats at the corner of Greyfriars and Vachel Road, Reading, Berkshire at a cost of around £4m. Situated close to Reading station and the Inner Distribution Road, the four-storey office building will be faced with pre-cast concrete cladding panels with brick finish flanked by brickwork stair towers. The corner entrance employs curtain walling as a design feature. The flats on five floors will be brick faced with a slated mansard roof, balconies and entrance canopies. Car parking for 38 cars will be provided at ground level for both the offices and flats. The work is sceduled for completion in September 1988.

DIARY DATES

FINANCIAL

TODAY
COMPANY MEETINGS-
Bolton Textile, Connaught Rooms, 61-65 Great Queen Street, W.C., 12.00
British Empire Secs., Butchers Hall, Bartholomew *Close, Smithfield, E.C., 10.30*
Humberside Elect., The Grange Park Hotel, Main Street, Willerby, 11.00
Kleinwort Dev., 20 Fenchurch Street, E.C., 11.30

DIVIDEND & INTEREST PAYMENTS-
A.T.A. Selection 0.7p
Abbey Nat. Bldg. Soc. Flg. Rate Nts. 1991 $251.31
Bank fur Arbeit und Wirt. Sub. Flg. Rate Nts. 1998 $385.42
Benlox 0.75p
Fleming Japanese 0.2p
Harrisons & Cros. 10p
Italy Flg. Rate Nts. 2000 $378.78
Lone Star Inds. 47.5cts.
Lowland Inv. 3.1p
Marine Midland Bk. Flg. Rate Sub. Cap. Nts. 1994 $197.48
Multitrust 1.5p
Narborough Plants. 1p
Peters (M.) 1.8p
Scott's Restaurant 3.3p
Sharp & Law 1p
Spain 12% Ln. 1988 6pc
Steel Brothers 7% Uns. Ln. 90/95 3.34pc
Do. 9% Uns. Ln. 90/95 4.29pc
Unilever 3.54p
Unilever NV Fl12 Fl1.09
United Mizrahi Gtd. Flg. Rate Nts. 1988 $391.84

TOMORROW
COMPANY MEETINGS-
Cambrian & Gen., Connaught Rooms, 61-65 Great Queen Street, W.C., 11.00
Japan Assets, 1 Charlotte Square, Edinburgh, 12.30
BOARD MEETINGS-
Interims;
Anchor Intl. Fund
Bermuda Intl. Bond Fund
DIVIDEND & INTEREST PAYMENTS-
Banca Serfin Sub. Flg. Rate Nts. 85/89 $155.04
Combined English Stores 9½% Uns. Ln. 86/91 4.5pc
Hunting Group 2p
London Entertain. 2.88p
Woodchester Invs. 0.8p

WEDNESDAY DECEMBER 23
BOARD MEETINGS-
Interims;
Radiant Metal Finishing
DIVIDEND & INTEREST PAYMENTS-
American Cynamid 26.25cts.
Anglia Bldg. Soc. Flg. Rate Nts. 1998 £126.43
Global Group 1.75p
Hercules 48cts.
Natl. & Provincial Bldg. Soc. Flg. Rate Nts. 1996 £126.99
Riverview Rubber Ests. Berhad 10sen
Scandinavian Fin. Flg. Rate Ser. Nts. Dec. 1993 $384.43
Technofan FFr5

THURSDAY DECEMBER 24
BOARD MEETINGS-
Finals;
Royal Trust Dollar Income Fund
DIVIDEND & INTEREST PAYMENTS-
Black & Decker 10cts.
Grupo Industrial Alfa Flg. Rate Nts. 1988 $252.78
Korea Exchange Bank Flg. Rate Nts. 1993 $387.6
Manchester 4% Cons. Irrd. 2pc
Do. 3% Red. Cons. 1928 1.5pc
Mount Charlotte Invs. Cnv. Uns. Ln. 95/00 4.75pc

SUNDAY DECEMBER 27
DIVIDEND & INTEREST PAYMENTS-
Hillsdown Hldgs. 4½% Cnv. Bds. 2002 $15.25

Trade Fairs and Exhibitions: UK

January 6-17
London International Boat Show (0932-854511)
Earls Court

January 7-10
Holiday and Travel Fair (021-780 4171)
NEC,Birmingham

January 9-14
International Toy Fair (01-226 6653)
Harrogate

January 10-14
International Lightshow Exhibition (05884 658)
Olympia

January 17
Antiques and Collectors Fair (01-883 7061)
Alexandra Palace

January 19-22
Which? Computer Show (01-891 5051)
NEC,Birmingham

January 22-24
Holiday Exhibition (0895 58431)
Alexandra Palace

January 26-28
Hirex Exhibition (01- 660 8008)
Wembley Conference Centre

January 30-February 3
British International Toy and Hobby Fair (01-701 7127)
Earls Court

February 2-3
Electronics Industry Show (0273 675131) - ELECTRO WEST
Bristol Exhibition Centre

February 2-4
London International Safety and Health Exhibition (01 446 8211)
Novotel

February 7-11
International Spring Fair - Hardware and Housewares Show (0604 22023)
NEC, Birminham

Overseas Exhibitions

January 10-13
Middle East Electricity Exhibition (01-935 8537)
Dubai

January 13-16
International Home and Household Textiles (01-734 0543)
Frankfurt

January 13-19
Hong Kong Toy Show (01-930 7955)
Hong Kong

January 14-18
International Supplies and Materials for the Furniture Industry - APPROFAL - and Take-away Goods for the Home Exhibitions - INTERKIT (01-225 5566)
Paris

January 22-29
Bahrain Fair (01-486 1951
Bahrain

January 22-24
International Clothing and Footwear Exhibition - CYPROMODE (01-734 4791)
Nicosia

January 29- February 7
International Green Week (01-930 7251)
Berlin

Business and Management Conferences

January 8
Lea, Storey & Co: Total quality management and the customer (0272 211964)
Redwood Lodge Hotel,Bristol

January 13
International Business Communications: Implementing a strategy to prevent computer fraud in retail electronic banking (01-236 4080)
Cafe Royal, London W1

January 13
Manchester Business School:"Business and economics in a smaller world" with Professor J. Kenneth Galbraith.
Manchester

January 15
HS Conference Studies: Winning planning appeals (01-437 9090)
Cafe Royal, London W1

January 19
Management Forum: Expert systems in business and the professions (0483 570099)
Cafe Royal,London W1

January 19-20
Crown Eagle Communications: Successfully acquiring unquoted companies (01-242 4111)
London

January 19-20
Institute for International Research: Creating, implementing and projecting an effective corporate identity (01-434 0301)
Park Lane Hotel,London W1

January 20
Legal Studies and Services: Share schemes for executives and employees - the new law practice and strategy (01-236 4080)
Royal Lancaster Hotel,London W2

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

Which way are hemlines going to go?

ANTHONY HARRIS
in Washington

THE OLD YEAR is going out in confusion on this side of the Atlantic.

Policy over the dollar is in a mess, with both the experts and the politicians taking unexpected sides. The Democratic race is becoming a farce, which is not a subject for this column; so is the bargaining over the Budget compromise, a joke too grim for the present season. And women are confused: are skirts going up or down?

This is actually a statistically important fact: women's clothing seems at the moment to be the only weak sector in an otherwise pretty strong retail market. But how long can this strength last? The indicators say the economy is still picking up, but all the forecasters are gloomy.

Still odder to these English eyes is the fact that the monetarists are more worried about recession than anyone else, and are leaving it to the students of the real economy to worry about inflation. It is as if, in the first Thatcher squeeze, the 364 Keynesians had urged to squeeze harder, while Mr Gordon Pepper preached a dash for growth. A majority of the intellectual brothers of the gallant 300-odd are urging an international fiscal right-about-wheel, and everyone had better keep in step. The hard monetarists want more devaluation.

Which brings us to the debate within the Administration. Treasury Secretary James Baker has been accused of talking the dollar down. His advisers have now persuaded him to change sides, it seems, both because they fear inflation and because the policy turn is now producing visible results in Japan - among them, a new reluctance to buy dollar assets when so much looks attractive at home. This adds to the pressure on the dollar, and Mr Baker seems to feel he needs help. He gets it from the White House.

The Chicago school in the Cabinet has other views. Mr Beryl Sprinkel is so keen to leave things to the market that he is blamed for every leak of a talk-the-dollar-down kind. In Cabinet debates he is now thought to have the heavyweight support of the Secretary of State, another Chicago *graduate*. Mr George Shultz must have vivid memories of his bruising encounters with Mr Helmut Schmidt when they were financial opposite numbers during the Nixon dollar crisis, and it would only be natural if he now got a little enjoyable schadenfreude from German discomfiture over the falling dollar.

From the outside, the whole argument looks a great deal too theoretical. It is as if the policy designers knew very little about current political realities, while the market enthusiasts had forgotten how heartless market adjustments can be. Inflation and bankruptcy are market mechanisms, and highly effective too, as most Latin Americans can witness. But not optimal.

So long as neither school wins outright, achieving a dollar crash, or another largely meaningless international communique, there seem to be two possible routes to a tolerable adjustment - and fortunately we can stagger along with one leg on each path.

One is another crashette, had enough to frighten the politicians into some serious policy-making. This is not without precedent even in an election year. It seems likelier to start in the bond market than in equities this time, because producer prices are beginning to rise ominously, and overtime is pushing wages and salaries along at a British rate.

The other possibility is a trade recovery strong enough to restore some market confidence in the dollar. Those who think that that sounds like a Christmas fantasy should have a look at the unseasonable table attached to this column. Our occasional contributor David Hale has been *beavering* among the volume numbers, and they are suggestive.

Capital goods account for only just over a fifth of total US imports, but for more than half the volume increase over the last year. This point has been missed because capital goods prices have not been rising like other import prices - the lead times involved are much longer. This is not another example of falling US competitiveness - exports of capital goods have been growing even faster. It suggests that industry in the US - led, no doubt, by foreign-owned industry - is gearing up for higher *exports, or at least* import substitution.

Oil rigs had much the same effect on the British trade figures in 1976, before they started producing oil. And even apart from that, the other volume figures do not suggest an import boom. With a stabler dollar (perhaps), and with President Reagan's luck with oil prices, the trade news could improve quite soon.

So perhaps this is a Christmas column after all.

US TRADE IN REAL TERMS
($ bn 1982 prices, first three quarters)

	1986	1987	% gain
Total imports	1245.1	1312.7	5.4
Cap goods imports	275.5	311.4	12.9
Consumer goods	226.1	228.8	1.2
Motor industry	197.9	202.5	1.9
Oil	218.6	229.1	4.8
Indust. supplies	216.0	217.1	0.5

THIRD QUARTER ONLY
(Figures in brackets: percentage increase 9 months/9 months, 1986-87)

Capital goods	Up 15.8%	(+12.9)
Consumer goods	Up 0.5%	(+1.2)
Motor ind.	Down 2.6%	(+1.9)
Oil	Up 0.9%	(+4.8)
Industrial supplies	Down 2.4%	(+0.5)

Capital goods account for 27% of the real value of the increase in imports over the first 3 quarters in nominal terms, but more than 53% in real terms.

US EXPORTS
(In constant 1982 $- first 9 months)

	1986	1987	% gain
Agricultural	93.3	105.5	13.0
All other	651.3	714.9	9.8
Among which:			
Capital goods	278.4	317.2	13.9
Ind. materials	186.9	208.4	11.5

INTERVIEW

Minister for showbiz

Ying Ruocheng, China's top film actor and Vice-Minister for Culture, interviewed in Peking

YING RUOCHENG is a chain-smoking, gravelly-voiced film star. His latest film, due for international release shortly, is Bertolucci's The Last Emperor with Peter O'Toole. But when he is not under the arc lights he remains in the spotlight in China where his job as Vice-Minister of Culture puts him in the midst of the debate about artistic freedom and the role of art and literature in a Communist society.

It is difficult to overstate the sensitivity of his position as artist turned cadre. The privations of intellectuals, especially writers, in the Soviet Union are universally understood thanks to Sakharov, Solzhenitsyn, the Mandelstams *et al.* But the desperate plight of their Chinese counterparts, humiliated, banished and persecuted in physically and mentally degrading conditions, has been less graphically documented in the West.

"We are now enjoying the beginnings of a period of creative freedom. I think our writers are going to produce more interesting things. Usually controversial things are interesting. A film, opera or play which arouses no controversy at all is usually very dull. That has been true in my lifetime," he says.

Chatting in a room in the part of the Culture Ministry that was once the home of Cai Yuan Pei, who was one of China's foremost intellectuals and Chancellor of Peking University in the early part of this century, Ying looks urbane and sounds plausible. Dressed in the same sort of faded cords, tweed jacket and smart crew-necked sweater sported by Wang Meng, the writer who is Culture Minister, he looks decidely Western, a style enhanced by impeccable and idiomatic English.

But his confidence that liberal times have arrived for the much-oppressed and intimidated artistic community still seems not always justified. Few people have been stripped of their party membership this year, but those few include writers, journalists and at least one playwright.

One problem is that the political line keeps shifting. One week an adventurous book will be published; the next week a more prosaic work will be banned.

Another sign of continuing interference is the fact that the Golden Rooster awards – China's Oscars – have been put on indefinite hold. They should have been handed out six months ago but senior party officials regard two of the top three nominations as too sympathetic to the nationalist Chinese. The third film is alleged to be "anti-party."

Yet Ying is determined that things should improve. "We must have creative freedom. A writer is only at his best when he writes what he wants to write and what he feels strongly about. We should not interfere with creative art. We can criticise but we have no right to ban a play, suppress something or artificially promote a certain style. We have done all that in the past and we are not going to repeat those mistakes. The party must stay out of the way of culture for the sake of creativity," he says.

But the party cadre's propensity to meddle has been cultivated over many years. Film endings have been rewritten for ideological reasons. We discussed a recent harmless play in Shanghai to which cultural cadres had forced changes. "That was wrong. We should not be doing that any more. But the further you get from Peking the worse the interference. And there is an artistic dimension to the problem, too, because the lower the status of the theatre group the more willingly they accede to interference. They should resist. But I am sure that if you persist, the message will finally get across. We are trying."

But is artistic licence compatible with the central ideology? The role of art and literature in a Communist country has always been a problem. Mao Zedong argued that art's function was to serve Socialism and that adding "more flowers on the brocade of Chinese culture" was a waste. Mao's ideas were conceived during decades of struggle, revolution and war. He used to say: "China has two armies, one military, one literary."

"As a figure of speech in wartime that is OK. But once we had united China we should have had a change of mentality. Unfortunately we did not change in time. A lot was still based on the wartime model and unfortunately we were heavily influenced by the Soviet interpretation of the role of literature and arts.

"More unfortunate was the undesirable way we eventually threw off the Russian influence by posing as being to the left of the USSR on every single issue." This included outdoing the Soviets on repression of artistic freedom. They punished a Bohemian writer so China punished a Bohemian writer.

But that destructive period is over. "You simply cannot have Big Brother standing over you when you are writing a novel," Ying declares. The modern debate now centres on whether art can serve socialism by entertaining the masses and when creativity becomes heresy...

"The law and not the party should be the benchmark. It is not up to us to decide what is obscene. Subversion, too, has to be governed by law and not left to a cadre. Public opinion is also important and we are trying to encourage criticism and counter-criticism for their own sake rather than with a political background. So we will have controversy, but it should be constructive rather than dangerous."

Ying warms to his theme, enjoying the debate enormously and colouring his conversation with his acting skills, using the full range of vocal tones and using his hands and the omnipresent cigarette to punctuate and underline his points, making the interview a performance in itself.

"I know what the problems are. Running the People's Art Theatre in Peking means I know what I do not want to be. I should not behave in a way that as an actor I objected to in officials. I am here because I am supposed to understand showbiz."

But does this mean that all is well and that the fears of the artistic community that freedom is curtailed and could be snuffed out again are ill-founded? "No. What I am saying is that we want to encourage the artistic community. But what I have said may not all have materialised yet. All bureaucratic interference will *not* easily disappear. Things like that die hard. Sometimes I hate to go to the theatre because I know both the company and the bureaucrats are waiting to see if I say something positive or negative.

"We are watched like hawks to see when and if we clap. The presence of anybody including Deng Xiaoping in the audience does not mean a production is good or *bad. He is a member of* the audience. It has nothing to do with politics or policy and we are not going to start a political campaign because of one play. It will take quite a while to dispel this sort of problem. We put a very controversial play into the China Arts Festival and announced that this did not mean we approved or disapproved. We just wanted it staged and some debate. But since that day that play has never once been criticised again."

Ying cited as proof that things are improving the survival of the arts community during the backlash against bourgeois liberalism earlier this year. "Some people were stunned by the student protests and the resignation of Hu Yaobang [as party general secretary]. But very few stopped what they were doing or changed course. This is quite different from the mentality during and just after the Cultural Revolution when the atmosphere made it impossible for artists and writers to continue working. Hu was responsible for changing that and he did very well. Writers and artists remember him to this day as a benevolent influence. He said these people should be protected, not persecuted." Ying obviously admired Hu greatly and is reflecting his own emotions when he says: "The artistic community was dismayed about the fall of Hu and were worried. But the difference from earlier years is there was not undue fear."

However, his next anecdote suggests otherwise. As soon as Hu fell and it was clear that the conservatives were again getting into their stride, Ying sent scouts to all the major theatres to inquire about their next productions. "They had all changed their plans. All felt that as we could not see the way forward clearly it would be safer not to *put on any Chinese plays in case* they turned out to be the 'wrong' ones."

Instead, a raft of foreign plays went into instant rehearsal – Max Frisch's Fireraisers, Thornton Wilder's Our Town, a Shakespeare, a Russian play. "So, as the result of the anti-Western move we had total Westernisation of the theatre," chortled Ying. But did not that suggest endemic fear. "No. No. Just caution – but this phase passed very quickly."

One of Ying's great successes was as Willy Loman in the Chinese version of Arthur Miller's Death of a Salesman. "The strength of that play lies with the dream rather than salesmanship, a dream which is not only personal but a belief in something which was shattered. The theme will always be true. My children tell me I am exactly like Willy Loman. That is because of the Cultural Revolution. People of my generation wasted the best part of their lives and when it was over they were too old to pursue their dreams. So we try to impose our dreams on our children. But our dream was based on having escaped 100 years of national humiliation. Our children do not have that sense of humiliation and so do not have the same dream. Parents press them to work hard, not to be lazybones and tell them what they would have done if they had had their chance. It becomes intolerable. Children will not accept the imposition of a dream."

In China, as everywhere, the educated younger generation is the driving force for intellectual freedom. China is making greater efforts than many advanced countries to get Western and Third World literature translated. "This includes some wasted effort in my view. For example, Agatha Christie books are number one here because of the popularity of the film Murder on the Nile. But we have translated Freud in full and Kafka in full." But censorship remains. The Chinese version of Lady Chatterley's Lover is still banned? "Not at all. I recently saw my son reading it," says Ying.

Shortly after the interview the Chinese press carried more stories about the continuing ban on the book with a report that a large quantity of copies had been seized and pulped, underlining once again the divergence of ministerial policy and bureaucratic power.

Interview by Robin Pauley, Colina MacDougall, Robert Thomson and Steven Butler.

JUSTINIAN

A new look for the New Year

THE CLOSURE of court proceedings for 1987 comes today in the midst of a flurry of legal activity that will spill over into 1988. The face of the legal system is changing daily before our very eyes.

First and foremost there is the projected transfer of the legal aid scheme from professional administration in the shape of the Law Society to a Legal Aid Board which will be composed of governmental nominees, of whom only a minority will be legally qualified. The Scottish equivalent, which has already been established, is headed by an accountant.

Some lawyers saw in the scheme, as it was formulated 40 years ago, the first step towards a nationalised legal service. Others thought that it was a piece of clever window dressing by the legal profession, designed to stave off any suggestion of nationalisation. The truth is that it has been neither of these things. The legal profession has faithfully fulfilled the approach made to a pressing social problem, of making funds available from public sources for legal aid and advice to those citizens unable to afford it out of their own pockets. If the public interest has been well served by the *legal profession*, there is little doubt that the contemporary annual bill for legal aid calls for more direct governmental control. The only lay element in the operation of the scheme has been the Lord Chancellor's Advisory Committee which, through its annual reports, has not always supported the constraints imposed by government and has indeed been a critic. The danger that will come from de-professionalising the legal aid scheme is that the criteria for supporting legal aid and, even more so, legal advice will be financial rather than social.

A less dramatic but more obvious change in the legal system has been the appointment last week of the first woman to the Court of Appeal, although female High Court judges have sat from time to time in that court. Hitherto the English legal system has been slow to accommodate itself to the justifiable claims of female lawyers to judicial preferment. Mrs Justice Butler-Sloss, who has been conducting the Cleveland inquiry into the handling of child abuse for the last five months and will be absent from her appeal court duties for the next five months while she writes her report on the epochal subject, is reported as saying that she wishes to modify her title as a Lord Justice of Appeal. Unfortunately Parliament has in this respect not shown itself in a perspicacious mood. Section 2 (3) of the Supreme Court Act 1981 provides that the ordinary judges of the Court of Appeal – the extraordinary include the Master of the Rolls and the heads of the three divisions of the Supreme Court, Chancery, Queen's Bench and Family divisions – must be styled "Lords Justices of Appeal". Hence Dame Elizabeth Butler-Sloss must be styled Lord Justice or obscurely to lawyers as "Butler-Sloss, L.J.". There is no room for a title such as Dame Justice or Lady Justice.

The remedy lies in a swift legislative amendment to the 1981 Act. All judges of the High Court should be called simply "Justices" without the masculine or feminine prefix of Mr or Mrs. After all, Sandra Day O'Connor of the US Supreme Court is known as Justice O'Connor, along with her fellow Justices. Court of Appeal judges in England would simply be Justices of Appeal, with JA after their names: which leaves the Master of the Rolls as the last remnant of male judicial chauvinism.

At one time it was rumoured that the new president of the Family Division, in succession to Sir John Arnold who is retiring, would be a woman. Instead it is to be Lord Justice Stephen Brown who is one of the three judges currently labouring over the Court of Appeal's judgment in the case of the Birmingham Six, whose case has been referred by the Home Secretary. His was a surprise choice, thought to reflect the veto by the Prime Minister over one or more other likely candidates for the job.

The independence of the judiciary from governmental influence may be judged publicly when this morning Mr Justice Scott delivers judgment in the latest step in the Spycatcher saga. The Attorney General is seeking perpetual injunctions against the Guardian, the Observer and The Sunday Times from making any reference in their newspapers to the contents of the book written by a former MI5 officer. Even if the case is going on appeal – in anticipation, the Court of Appeal has already fixed January 18 for the hearing of the appeal – the decision of the court of first instance will be a powerful persuader to appellate judges. Justice would seem to dictate victory for the Guardian and the *Observer*, who seek only to comment on and review the book, while The Sunday Times, which is poised to serialise the book Sunday after Sunday for our predilection, should lose. But logic defies any such distinction. All three or none of them should win or lose.

A dilemma awaits another Chancery judge if and when the two inspectors investigating leaks from governmental departments of price-sensitive information take the financial journalist, Mr Jeremy Warner, back to court for refusing to reveal his source of information revealed in press articles. The House of Lords recently gave the go-ahead to the two inspectors, by holding that the refusal by Mr Warner to reveal his source was not reasonable. In pursuit of detection of insider-dealing, the two inspectors may feel that the disclosure by journalists of their sources of information is peripheral to their main purpose.

The focused interest on the new crime of insider-dealing is heightened by a provision in the Criminal Justice Bill which has just passed through the House of Lords on its way to the Commons. Clause 45 on the bill increased the maximum penalty for the offence from two years' imprisonment to seven years. The only apparent basis for selecting the latter number is its biblical symbol of completion or perfection, appropriate no doubt at Christmas time.

The tricky task of tickling taste-buds

Lisa Wood on the strategy devised by the UK-based Rowntree aimed at satisfying the Continental palate for confectionery

NEARLY 20 years ago Rowntree, the York-based confectioner, faced with little volume growth in its traditional markets – the UK and the White Dominions – had the option of expanding either into the US or Continental Europe.

It plumped for the Continent. Rowntree believed that the confectionery industry there was more fragmented and the opportunities for growth were probably greater than in the sophisticated US sector.

"The task was enormous, and one which few British food companies have attempted," says Gordon Neal, deputy chairman of Rowntree's European region, which excludes the UK. "If we had known then what we know now we might not have attempted it. The pay-back might not have been acceptable."

The group, which subsequently also entered the US confectionery and food retailing market, has now built strong Continental sales of its brands, which include Lion chocolate bar, Polo mints, After Eight chocolates and Quality Street mixed sweets.

Rowntree now claims an estimated 8 per cent of chocolate confectionery sales in its six major Continental markets. But margins are still much lower than in Britain and profit growth has been bumpy.

However, there is growing evidence that Rowntree may have got its European operation right; last year's trading profits were £7.8m (£3.4m in 1985) on turnover of £284.7m (£238m in 1985). The UK region in 1986, in comparison, made a trading profit of £47.9m on sales of £512.6m.

The European region, with its headquarters in Paris since 1985, takes in manufacturing plants in West Germany, France and the Netherlands, with distribution companies in Italy, Belgium, Spain and Sweden.

Exports from Rowntree's UK plants to the Continent started to build up in the early 1970s. However, the volatility of sterling during the decade encouraged Rowntree to seek to source products on the Continent rather than export them from its UK factories. "In the area of fast moving consumer goods you cannot adjust pricing to costs on short term currency changes," says Neal.

European capacity was brought on stream quickly through acquisitions and capital spend on new plant. In France, for example, Ibled and Menier, both strong local producers of chocolate, entered the Rowntree fold; while in 1977 Lanvin, with a plant in Dijon, was acquired. "At the time," says Neal, "there was a strong belief (among the Board) that expansion would be very rapid. There was a great willingness to invest in plant and equipment."

The master plan was to advance several Rowntree brands on as wide a front as possible. The challenge, also taken up by competitors such as

target europe

Mars, was to convert Continental consumers from block chocolate bars and low cost sugar confectionery to more expensive snack-like brands.

Problems were legion. First there was naive optimism over changing consumer eating habits – a challenge which Rowntree says was more difficult than fighting the local competition.

Neal says: "In the Netherlands, for example, we decided to launch Tooty Frooties, a children's brand, in the sugar confectionery market. The launch went like a damp squib. The reason? We had simply not taken account of the fact that the sugar confectionery market there was for cheaper, simpler products. After nine months we gave up. We either did not have the money or the courage to go on."

In addition, the broad-brush approach, with a dilution of total marketing spend on a wide range of products, increased total sales but reduced margins. "Concentration of marketing resources on a smaller number of brands takes courage," says Neal.

One outcome has been a couple of monuments to the York management's over-optimism, including the Hamburg Kit Kat plant, built in the 1970s, which is still not working at full capacity.

The lessons learnt were to make a much closer examination of local markets, and to focus on a number of keybrands. This task has been eased by changes in the marketplace, with Europeans adopting the snacking habits of America and Britain.

Rowntree now believes it has established a successful formula for focusing marketing effort on specific brands for a national market. It is currently applying such a strategy to West Germany, where growth in brand sales has been more problematic than France, and on the Spanish market, where it has recently set up its own distribution company.

The company says its growing confidence in this area is partly a product of time spent on the establishment of local management teams who combine a knowledge of their national market with an understanding of group strategy. Neal says: "In the early days we did not know if we were hiring the right local people. All the signs by which you judge people in the UK – accents, education and previous employment – were different."

Jean Guerin, an astute 51 year-old Frenchman, is the chairman of the European region. This was created as a specific entity in 1986 when Rowntree regrouped all the company's activities into four separate geographic regions. Previously the European activities were directed by a divisional board based in York.

Guerin, who joined Rowntree in 1971, says that basing the European operations in Paris was a critical step in the operation's development as was his appointment to the Rowntree board. "Continental Europe is now directed by Europeans, rather than a group of people in York," he says.

Guerin talks much about "Europeans." He says: "There is a feeling among Continental European managers that the EC exists." He has reached this view by travelling widely in Europe and listening to his own managers; he expresses dismay that it is a feeling not shared by most UK companies.

His senior managers are drawn from several national backgrounds. Some are British but most have worked on the Continent for several years and think like Europeans, according to Guerin. "We move our senior people around a lot," he says, "so that we have a group of 25 or so who have a knowledge of several countries and speak three or four languages."

Jean Guerin: "Continental Europe is now directed by Europeans"

English is the official language in the European region, not, insists Guerin, because Rowntree is British but because it is a common language.

When it makes an acquisition, Rowntree tends to retain the existing management. However, says Guerin: "One of the first things we do with a new company is to implement our reporting systems to make sure we are also using the same jargon. So we tend to put one of our own employees in place as finance director."

A sophisticated financial reporting system was introduced in the early 1980s in Europe because of the nature of the production arrangements.

This was because, in addition to making locally sold brands, individual factories concentrate on selected Rowntree brands which are then marketed in other countries. For example, all the Continental requirements for Kit Kat are made in Hamburg, similarly Quality Street in Dijon and Lion Bar in Paris.

However, this system threw up problems. If, for example, the Italian company made a major effort to sell Kit Kat, made by the Hamburg factory, most of the "financial credit" went to the German company. This system, says Rowntree, distorted the true picture of national effort.

In addition, national companies importing products from factories in other countries were tempted to increase prices so as to boost margins and thus their own results. Such local initiatives – a case in point was the launch of the Lion bar in West Germany in 1981 – could jeopardise sales in those markets.

"It is something which could not happen now," says Guerin. In order to give credit to those national businesses making major marketing efforts, a system now allocates the profit margin accordingly.

Guerin says: "We wanted a coherent pan-European approach whereby we could judge the different operating companies. A traditional accounting system is misleading in this context."

A further problem to be tackled has been the diversity of product size. Traditionally, European markets have demanded products geared towards their individual market because standard retail prices are geared to product weights.

For example, this meant that five-finger Kit Kats were made for France and three-fingerered ones for Italy. This inefficient use of plant led to a lowering of production margins.

"A prime challenge now is to develop systems for global marketing within the Continental market," says Neal. He points to the group's Nuts business in the Netherlands, acquired in 1979, where a halving of the number of the Nuts brand pack sizes has led to a lowering of costs. This has led to a knock-on effect on retail prices which Neal believes has led to a 30 per cent increase in sales over the past year.

In tandem with this development has come a more pan-European approach to advertising. Neal says that this has been a sensitive and difficult area.

In the past, local marketing companies were given considerable freedom, and used several advertising agencies. But experience has brought understanding of common basic concepts within the different markets and there has been a rationalisation of advertising agencies.

"We do not say to local managment that they have to take a common advertisment but there is more central control from headquarters with local adaptation if necessary," says Neal.

Building European markets is not just a matter of consumer advertising. While a large percentage of UK confectionery trade goes through the fragmented confectionery, tobacco and newspaper chains, in much of the rest of Europe the major grocers have a much bigger slice of the business.

Neal says: "In the UK you can have more of a 'pull' sales strategy - that is, getting consumers to go into a local shop and demand a particular sweet.

"However, on the Continent you have to take more account of marketing to the trade. This means you have to have a different sales policy. Of course, this does not apply to all the European markets. In Italy, for example, the grocery trade is still very fragmented."

In discussing Continental operations, the European division constantly refers to the benefits it perceives from having a headquarters in Paris and a team which sees itself as European.

It is a sentiment endorsed by group management in York. Nicholas Nightingale, a member of the Rowntree board, says: "We in York have in the past sometimes misunderstood the complexity of operating on the Continent. But now we do not have a team in England interpreting what is going on there. The message comes direct."

Previous articles in this series appeared on October 14, 21, 29, November 2, 13, 18, 25, Dec 2, 7, and 16.

Management abstracts

Expatriate selection and orientation, *R J Stone in Human Resource Management (Australia), Aug 86 (4 pages)*

Looks at the stresses likely to arise for employees and families when transferred overseas; covers sex, age, education, hobbies, releigion, marital stability, health, personality, languages and culture shock. Its focus is on problems specific to countries in South-East Asia and the Far East.

Introducing computer-aided design into a small company, *P W Prickett in IEE Proceedings - Part A (UK), Jul 87 (4½ pages)*

Describes how an anonymous small company, engaged in the design/manufacture of gaming and amusement machines, introduced a CAD system; outlines company background, and the motivation behind the acquisition, principally to simplify the layout drawings and final artwork involved in printed-circuit board design. Details the criteria for equipment selection and how benchmark testing of the chosen system was used to confirm selection. Claims that 'it is inconceivable they could return to the previous method.'

Dealing with drink, *C Twomey in IS: Industrial Society Magazine (UK), June 87 (2 pages)*

Deplores the failure of the vast majority (over 95%) of the UK companies to pursue positive alcohol policies for their workforces despite the adverse effects of alcohol misuse on industrial efficiency and productivity. Shows how it can be done, and describes the programme offering help, advice and training for company staff who would administer such a policy, run at Gisburne Park in Lancashire, a private medical treatment centre which also offers treatment for alcohol dependency.

Changing an organisation, *B Thompson-McCausland in Industrial and Commercial Training (UK), May/June 87 (3 pages)*

A recent chief executive of London Life (insurance) recounts how, after his appointment in 1981, he sought to discover from walkabouts, questionnaires to staff, and management briefings where the main problems lay and "to wake up the company and give it a sense of purpose". Rates his success as only partial until the launching, 18 months later, of a two-year programme of monthly seminars and workshops, initially for head-office management then for head office and sales recruits, covering a vast array of topics from corporate structure to creative thinking. Assesses the benefits which are seen mainly in terms of released energy, confidence and cohesiveness among participants.

Premises-related costs, *Facilities (UK), May 87 (5 pages)*

Outlines the approach taken by a "leading UK financial services organisation" to the setting, monitoring and control of premises-related costs for its head office group and 130 sales branch offices; outlines the organisation of its premises and office services department, its monthly reporting schedule, and a sample of budget checkpoints; describes the budget-setting procedure and how it is monitored and controlled.

The potential for internationalisation of Japanese management, *Management Japan (Japan), Spring 87 (3 pages)*

Briefly discusses the conclusions and recommendations of a report by the International Management Association of Japan to establish to what extent the managerial resources of Japanese corporations have been applied to their foreign subsidiaries. Classifies these as negative (those not acceptable to the local environment) and positive (which can be assimilated). Puts forward an action programme for encouraging the transfer of positive resources, including such steps as language training, discussion of local problems, and encouraging delegation of authority to subsidiairy managers.

Reducing turnover of new hires, *A J Buonocore in Management Solutions (US), June 87 (6 pages)*

Points the finger at those companies which work hard at attracting new professional employees, and then virtually ignore them for the first critical months of their employment – forcing them to feel confused and helpless, and to end up resigning. Argues that this can be avoided if a policy of mentoring is adopted to smooth assimilation into the organisation's culture. Discusses how to identify suitable mentors, and the main elements of the mentoring task.

Strategy consulting – a shooting star? *A Payne & C Lumsden in Long Range Planning (UK), June 87 (12 pages)*

Analyses the principal contributors in the UK strategy consulting industry drawn from the academic community, the business sector, and management consulting firms, and explores the relationship between consultants and their clients. Offers guidelines to managers contemplating the use of consultants in order to get the most out of the relationship.

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Cinderella/Covent Garden

Clement Crisp

On Saturday night *Cinderella* gave the impression of having been decently embalmed at the Opera House. There lay Ashton's ballet, tricked out in its new decorations, smiling faintly, and dead. It was all very proper, and many of the audience may not have noticed that the loved one had passed away. But for some of us old *Cinderella* hands the absence of emotional and musical life in the performance was distressing.

It is a commonplace that a ballet dies at every curtain-fall, to be revived by its cast at the next presentation. The trouble on this occasion was that none of the evening's principals could provide an iota of that galvanic force which might impel the production into some semblance of life. Cynthia Harvey, returned after a period of injury to make her debut as the heroine, danced impeccably, every step clear and clean and felicitous, and communicated little of the ecstasy and pathos of the role. Jay Jolley as her prince lacks any sense of ardour, technical or emotional;the Ugly Sisters of Derek Deane and David Bintley have yet to know who they are. Their readings are clever, but based upon a vacuum, where the Ashton/Helpmann originals plainly had dramatic or actual precedents upon which those two inspired farceurs elaborated personalities for this blessed pair of sirens.

Isaiah Jackson's view of the score is careful, metronomically dry in style and, after an expansive account of the overture which promises radiance to come, sometimes so laboured and inelastic that the dance looks desiccated. The entire production has a deadpan and un-magical feel to it. Without magic the action touches us not at all; without lambent performances to carry them off,the kitsch of the costuming makes the dancers look remote and foolish.Less sequins on sets and costumes and more emotional sparkle in interpretations is the message. The most honourable representatives of *Cinderella*'s potential for joy are Simon Rice as the Jester, every moment alert, alive, and Tracy Brown as the Fairy Godmother, trying to warm the proceedings with radiance of feeling.

About the production, I record that the Fairy Godmother's transformation from hag to beneficent being is pokily managed in the darkest recess of the kitchen. And who are the three portly Hussars lurking in the corners of the ballroom? KGB men? Detectives guarding the silver?

Cinderella/Crucible, Sheffield

B.A. Young

To be honest, it hardly matters which classic pantomime tale they use at the Crucible, for the stars are the kids in the audience. They are adept at picking up every hint from the stage, and they shout louder and more readily than any kids I have encountered. This year, we have a *Cinderella*, with no credit in the programme for the script; and except for the heroine herself (Stephanie Johns), Prince Charming (Leslie Ash) and Dandini (Debbie Norman), all as attractive as the parts demand, the cast consists entirely of comics. The house was full and enthusiastic, and this is what pantomime is for.

Buttons has most of the comedy. He is played by Bobby Knutt, who has become as regular at the Crucible as the snooker. He treats the children like a universal uncle and has a talent for persuading tinies on the stage to do acts of their own. He knows all the shop-names and televison-names. He looks the same in any part he takes, middle-aged and bespectacled, concerned only with entertaining, hardly at all with acting. Indeed I am prepared to say, in no adverse spirit, that there is little acting involved in the production at all, except perhaps for Meg Johnson as the fairy godmother. Once the director, Mike Kay, has established that all the *funnies* must spend half their time on their backs, why try anything more subtle?

The ugly sisters are both men, Finetime Fontayne and Rob McCulley, but one of the broker's men is a girl, Alex Lonsdale, with a ginger fright-wig and a vast mallet for knocking her colleague, Dave Warburton, on to his back. All four are involved in a bathroom-scene for the sisters, where a face-pack, egg shampoo, face-cream and vanishing-cream do their worst. Baron Hardup wears a blue wig; there is a small chorus of boys and girls and one of "babes" about 12 or 13. Some of the dancing could do with more rehearsal.

Because We Must/Sadler's Wells

Clement Crisp

How thoughtful, how fitting, that Sadler's Wells should mark Advent and the period of the Nativity with a programme both vulgar and obscene. The least the management can do, though, is to remove the portrait of Lilian Baylis from the theatre's coffee room. Miss Baylis, a woman of profound Christian belief, made the present building and its audience possible, and the whirring noise that I heard through some of the din of the Michael Clark show that opened on Thursday was probably "The Lady" spinning like a lathe in her earthly resting place.

The Clark show, with its egregious crudeness, its grubby jokes, and a most offensive sound-track of a whore seeking to titillate some hapless and solitary telephone caller, divides into two parts. The first, *Pure Pre-Scenes* has been seen before, and is the customary exercise in ragamuffin antics which suggest that, in his mid-20s, Michael Clark is suffering from delayed adolescent rebellion.

The second half of the evening begins wth the cast in handsome white outfits moving discreetly to four repetitions of the National Anthem. Chaos supervenes, until the arrival of Festival Ballet's setting for the second act of *La Sylphide*, when the dancers, led by Mr Clark, are deployed in some ageeable ensembles. And then, because of *La Sylphide's* Highland location, a Pipe-Major joins the fray, and Mr Clark reminds us of his skill in Scottish dancing, and later in some positively Bournonvillian steppings, of just what beautiful feet and dazzling technique he can display.

Because we must is for the reasonably young – but absolutely not for children – who are still innocent enough to react to Clark's astute realisation that vicarious rudery and what looks to me like vicarious choreography are an irresistible mixture. It is a saturnalia for voyeurs, and I found it inexpressibly tiresome. Yet, ding dong merrily on high, the bells of the box-office cash registers will ring out to announce the presence of this Prince of Tosh, and that seems to me to be what this time of year is all about for Sadler's Wells.

Tony Andrews

The Broadgate Development

Architecture/Colin Amery

Born again on Broad Street

It all began with "Dancing cheek to cheek." As the Prince of Wales cut the red ribbon at the entrance to the outdoor skating rink, the band struck up, the rain fell down and Torvill and Dean whirled on to the ice.

It was difficult for a moment to think where I was. Along with crowds of other City workers attending the inauguration of Broadgate,I might well have imagined that New York's Rockefeller Center was starting its Christmas festivities. But wait a moment, where was the roar of that Fifth Avenue traffic and the soaring scale of the RCA Building.Where the Art Deco richness of those New York buildings of the 1930s?

Broadgate is by no means complete, but the opening of the first four phases around the new square gives more than an indication of what is to come. There are 14 phases in all, which will provide some four million square feet of highly serviced office space. As part of the deal with the British Rail Property Board and Rosehaugh Stanhope Developments, major changes will improve Liverpool Street Station, with a large part of new office space created on "new land" over the railway tracks. The architects of the first four phases are Arup Associates, the principle designer being Mr Peter Foggo; the architects for the next ten phases will be an American firm, Skidmore Owings and Merrill.

The scale of the development is undeniably impressive and the addition of new public spaces must be welcome. But architecturally, what does Broadgate bring to London? Arup Associates have designed a series of office buildings that have become a recognisable building type, and Broadgate is the latest of this breed. In Basingstoke, Arup designed two atrium centred office buildings which are the parents of Broadgate: in these many of the elements such as the rooftop planting, the trellis-like skin to the buildings and the moderate height had their beginnings.

If you come on foot from Finsbury Circus towards Liverpool Street, you now see on the site of the old Broad Street Station the red granite grilles of the first office block. It was sad to see those great pavilion roofs and the grand open staircase of engineer Baker's 1836 station disappear, but it was clearly a doomed line when the willow herb took root on the tracks.

The new building reveals all its vocabulary to the street. It is basically a large block, which would in former times have been boldly clad in glass curtain walling. Today it conceals the glass walls behind a grid of granite hung like a lowered portcullis on all sides. Like a Muslim screen, this device succeeds in lessening the impact of the scale of the building by the simple trick of dividing the facade into smaller elements.

This layering of buildings is very much the current approach – it certainly adds interest and if carried out in good materials can be very effective, although nothing can disguise the fact that all four of the first phase buildings are essentially the same. At ground level they will have some shops and restaurants and an arcade will link the offices to the railway station.

The Central Square is the major feature that marks out this development as something special. The ice rink, which will be paved over in the summer, is surrounded by a circular double row of columns that support, like shelves, some terraces and a restaurant. It is a very welcome fact that the public routes through and between the buildings are at ground level and not stuck up on *piloti* like so many of the developments of the 1960s. The main square is paved in travertine and the circular open wall around the ice rink supports trellises of plants. I find this sort of climbing frame to be a very puzzling element in the scheme; it may make a shady arbour in the summer but at the moment it feels like a strangely arbitrary interruption of the space.

As the shops and sports elements of the scheme open, a more general spread of lively activites will make the new circular centre seem less artificial.

The developers must be congratulated on commissioning major works of sculpture by Botera, Serra and Segal for the site.

Place Broadgate alongside the London Wall with its upper level walkways and it becomes a paragon of common sense and commercial thinking, yet by the architectural standards of New York's Rockefeller Center Broadgate is only a starter. Until it is entirely complete, its mixture of uses does not offer a great deal of daytime activity to make this part of the City more lively. Eventually I hope that the children of Spitalfields will be able to skate on the ice at weekends and that a major refurbishment of the Great Eastern Hotel will help to bring some life to the area than office workers.

The later phases, by Skidmore Owings and Merrill, look less rigid than the Arup scheme. A rich use of materials – including sculpted bishops on Bishopgate – and a varied skyline promise an architectural richness that is much needed. By the standards of the 1960s Broadgate is advanced; by the standards of the Rockefeller Center of the 1930s, both architectural and in terms of a rich urban mix, it still has some way to go.

The Cabinet Minister/Manchester

Martin Hoyle

When an elderly gentleman of blameless character refers to his flute-playing as "my only vice", you know he is in for trouble. If he is a Pinero character you can guess that his wife will be responsible: a spirited filly bolting into indiscretion before skeletons are extracted from cupboards to be respectably mounted along with the hunting trophies.

This Pinero comedy at the Royal Exchange dates from 1890, after *The Magistrate* and *Dandy Dick*, before *Tanqueray* and *Trelawney*. Marital cross purposes are sparked by the extravagance of Lady Twombley, wife of Sir Julian, the unimpeachable politico of the title. Kitty is forced by her moneylenders to introduce them into high – well, Scottish baronial – society.

Before the blackmailers are foiled, we meet some almost Dickensian caricatures, notably the mother-dominated Laird of Ballocheevin, a bearded booby; the young couple who quarrel over the career of their six month old baby (politics or the army?); and the society-hating noble savage, Kitty's nephew, who reproaches his cousin for forgetting her marbles (literally, that is) and turning from a romping tom-boy into a debutante.

The play is full of echoes and anticipations of other writers. There is a Gilbertian, even Shavian, vein of paradox. A bossy dowager (Dilys Hamlett, the image of the Empress Frederick) momentarily evokes Lady Bracknell; and a much later master is conjured up when the jilted suitor expresses his heartbreak in the exclamation, "Japan!" "Nice part of Japan?" queries the lady. "The murderous districts," he replies. Very murderous, Japan.

For modern tastes the snobbery that derides Mrs Gaylustre (half a lady; the other half a dressmaker) is embarrassing. Even more so her swarthy money lender brother, Joseph Lebanon, guzzler, arriviste and schemer. The director Braham Murray recently had some trouble with Jewish opinion over *The Merchant of Venice*.He may expect some more, notwithstanding that he is himself Jewish and that Philip Walsh plays with unabashed comic attack, looking like a Levantine Terry Jones, who is funny and finally likeable.

The comedy never quite ignites. The production style seems too heavy: are late Victorian aristos such an extraterrestrial conception that they can only be grotesques? Where actors can draw modern parallels, the humour hits the mark, as when a languid spendthrift casually proposes and is coolly accepted by an equally off-hand belle. ("Be careful of my hair. It will not be dressed again before lunch").

Frank Thornton's ministerial husband suffers from the character's passivity: the ball is in his wife's court and Susan Fleetwood works like a Trojan, ringing vocal variations unsuspected in the human larynx. Haydn Gwynne makes Mrs Gaylustre into a vivid adventuress. Ravishing costumes – between crinolines and the Edwardian hourglass look, though an Art Nouveau jewel box is surely premature – by Terence Emery, and *Johanna Bryant's sets in the* round for conservatory and Caledonian Castle are wonderfully sumptuous. As yet the mood is bumpy. More relaxed and it should be fun.

You Never Can Tell

Michael Coveney.

The great question in Shaw's perenially entertaining comedy is not "How's" but "Who's your father?". The reunion of the Clandon family with the peppery Scotsman who is remembered by his children only for the whip he took to them has an almost late Shakespearian elegiac quality about it.

A gulf of 18 years of separation is bridged in conventional comic form, while the eldest of the offspring, the second generation feminist Gloria Clandon, is romantically beseiged by Valentine, an impecunious "five shilling" dentist in Torbay.

The Devon seaside setting is all part of the play's holiday atmosphere, with lunch taken on the Marine Hotel terrace and complications resolved during a fancy dress ball, coloured lanterns and funny noses to the fore.

The presiding genius is the Waiter, also known as "Balmy Waters", one of Shaw's wisest and most delightful creations. He,too,has a son, an eminent QC, Walter Bohun, whom he kept until he(the son) was 37 and who now descends, in Derek Waring's smarmily self-absorbed vampiric interpretation, to untangle the legal knots.

Shaw wrote the play for the Haymarket in 1896, but wrangles inrehearsal led to its withdrawal until it became a favourite of the Vedrenne/Barker seasons at the Court in the first decade of this century. Its popularity since then has never waned, and this revival by Toby Robertson, first seen at the Theatre Clywd, Mold, in September, is light, airy, a little unevenly cast, but thoroughly enjoyable. It rivals, but no way eclipses, my memories of the wonderful presentation on this same stage 20 years ago.

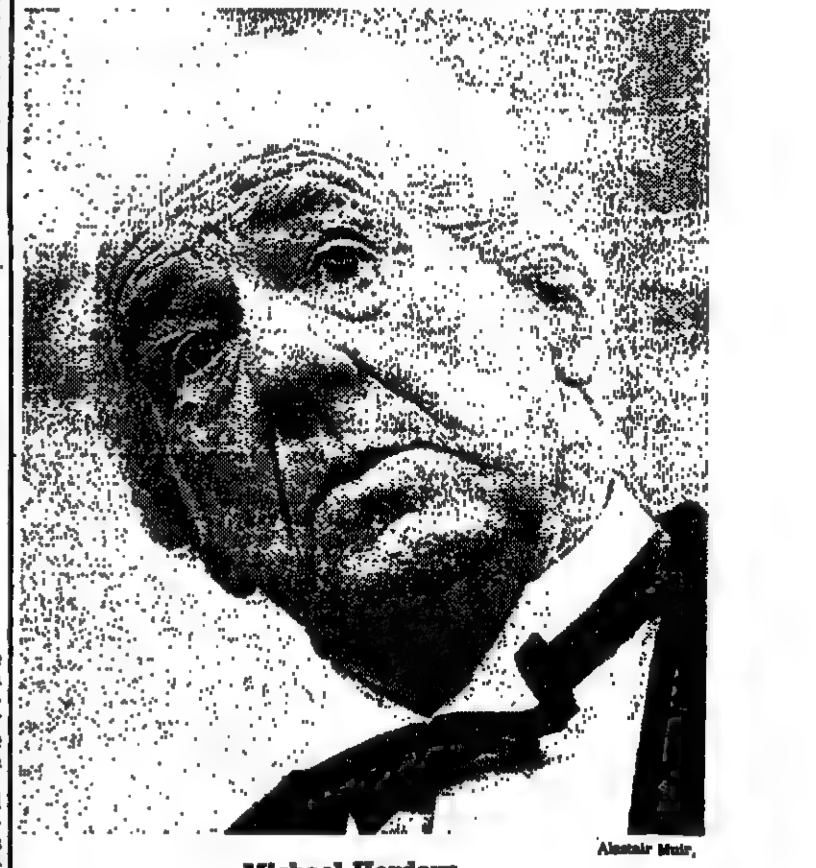
On that occasion Judy Campbell was the Darwinist pamphleteer Mrs Lanfrey Clandon, a woman given to diagnosing others' problems while covering up her own, with her children, in exile on Madeira. Irene Worth now finds a moving frailty in the role, those great baleful eyes and an aura of elegance under pressure releasing the character in an entirely new direction. I saw Uta Hagen play it in more dominating fashion in New York last year. But Miss Worth has the edge in showing how Mrs Clandon has her life spread before her in two hours of action. She is funny and, what is very much more, chilling.

This is great acting by any standards. The same goes for Michael Hordern as the Waiter, more movingly acquiescent than was Ralph Richardson, resigned to the dignified slavery of paternity next to which his servile calling in hotels is a light-hearted but devastatingly well-executed diversion.

How dreadful, then, that this performance is handicapped by the worst wig on a West End stage since Charlton Heston's. You can see Hordern's darker tufts peeping, like impertinent country mice, through the stiff lacquered whiteness of his wedged hedge, his scratch patch. Unlike Heston's, this hair does not have a mind of its own and its entertainment value is therefore limited. It merely sits there all night like a dull, stark and frozen sporran. Off with it, Sir, and a curse on all skinflint theatrical hair-restorers+

Saul Radomsky's settings are extravagant without being particularly stylish, the seaside terrace with its striped green canopies, hanging pots and wicker chairs resembling one of those ghastly wine bars in the Charing Cross Road.

Some of the acting is fair compensation, especially Jenny Quayle's as an eloquent and spirited Gloria, touchingly broken open by Valentine's (Terence Wilton) profession of adoration. Abigail Cruttenden and Harry Burton do what they can with the insufferable Clandon twins, and Frank Middlemass is a lovely Finch M'Comas, the conciliatory solicitor. Michael Denison roars gruffly as Crampton, legs and gestures almost as stiff as the Waiter's wig.



Alastair Muir,

Michael Hordern

Gypsy/Liverpool Playhouse

Martin Hoyle

Annie, Get Your Gun started the rot. Instead of ordinary wholesome kids deciding to do the show right here in the barn or small-town *midinettes* dropping of hunger on 42nd Street before achieving stardom, a new national anthem for the Business Like Which There Is No Other elevated its practitioners to the level of Delphic oracles, doomed romantics or early Christians, prone to feeling more deeply, suffering more profoundly and giving more abundantly than Prometheus and Pandora combined. Show Business was suddenly separated from ordinary life, and show people were different; whereas, as we all know, there is nothing more extraordinary about most average mummers than a clever tax accountant, good divorce lawyer or weekend on Fire Island can't sort out.

Gypsy crystallised the myth, one of those all-belting backstage sagas that hurts them more than it hurts us, where the characters sing "Let me entertain you" as if issuing an ultimatum for an *Anschluss*, and heartfelt audience-collaring numbers uneasily recall the theatrical origin of the word "claptrap".

The story of the archetypal stage mother trotting her little company round the seamy underside of the American theatre in the Depression is of course based on the real-life mother of real-life stars: her adored Baby June is now June Havoc (and has uttered sharp words about the alleged distortion of the matriarch's character) while the disregarded Louise found fame as the stripper Gypsy Rose Lee. Arthur Laurents' book gives us a first half that is a kaleidoscope of cheap digs and tatty acts, while the second homes in on self-effacing Louise, the sudden repository of her mother's hopes after Baby June elopes. Stephen Sondheim wrote the lyrics for the 1959 show, but there are tunes since the score was entrusted to Jule Styne, notably "Everything's coming up roses", that unstoppable hymn to resilience in the teeth of adversity.

Having somehow missed the show until now, I wonder whether Liverpool Playhouse's ingenious, small-scale production (Ian Kellgren) with its jaunty five-piece band under Ian McMillan and splendidly elliptical sets by Candida Boyes is lacking some element of glitzy pizzazz. More important than sheer opulence, however, is the rumbustious conviction that I suspect would come as second nature to American performers (and, come to that, audiences) where British players seem a trifle self-conscious. The trio of strippers who bump and grind through that raucous hymn to novelty in nudity "You gotta get a gimmick" are puting on an act – very well in the case of Debi Thomson, Cazz Scattergood and Julia Hampson, but still an alien turn, like Germans doing Gilbert and Sullivan.

Ultimately all hangs on the figure of Mama Rose, the part created by Ethel Merman. Pauline Daniels has a Jewish Momma *persona* and a voice with the right strain of chesty resin, though it sounded a little tired and flattened some of the high notes last Friday. At the moment she plays too much on the same note of brisk urgency; one can believe in her ambition but not in her dreams - and there must be more mentions of dreams in this show than any other except *Lady in the Dark*. Her experience as a comic stands her in good stead for Rose's final frenzied self-affirmation, though not for controlling giggles at verbal mishaps or corpsing others on stage.

Katy O'Brien's June has punch under the winsomeness; she combines memorably with Danielle Carson's Audrey Hepburn-like Louise in the duet where they wish their mother married. Howard Southern's improbably kindly agent is occasionally indistinct, but sums up the oddly sanitised, overly nice picture of sordid struggles on the theatrical breadline.

Arts Guide

December 18-24

Music

TOKYO

NHK Symphony Orchestra (NHK Hall). Berislav Klobucar conducts Beethoven 9th. (Mon-Thur) (465 1780, 464 4860).

Kodo (Theatre Apple, Shinjuku). Virtuoso drum ensemble which employs a wide range of traditional Japanese drums and has a repertoire ranging from folk music to the avant-garde. Ends Dec 27. (207 5588).

Yomiuri Symphony Orchestra (Tokyo Bunka Kaikan, Ueno). Rafael Fruhbeck de Burgos conducts, with Jane Mengedoht (soprano), Erwin Stephan (tenor), Ingeborg Russ (alto), Valdimir de Kanel (bass). Beethoven 9th (Wed). (720 8191).

Michiko Kobayashi (Tokyo Bunka Kaikan Recital Hall). Bach Goldberg Variations (harpsichord). (Thur) (501 5638-9).

Sawai Kazue's Eye to Eye (Sogetsu Hall, Aoyama). Modern music for koto, Japanese mandolin. (Thur) (461 3172).

PARIS

Lausanne Chamber Orchestra (TMP-Chatelet). Lawrence Foster conductss, with Sorbonne's Paris University Choir conducted by Jacques Grimbert: Berlioz - L'Enfance du Christ (Mon). (42 33 44 44)

Soloists' Choir and Orchestra (Salle Pleyel). Hugues Reiner conducts Mozart and Bruckner (Mon). (45 63 07 96)

Paris Opera Orchestra with June Anderson and Alfredo Kraus (Paris Opera) conducted by Michelangelo Veltri. Duos from Lucia di Lammermoor, Lakme, Manon. Arias from Martha and Semiramis, Robert le Diable (Tue). (47 42 53 71)

Nouvel Orchestre Philharmonique de Radio France (Theatre des Champs Elysees) Marek Janowski conducts with Silvia Marcovici, piano: Tchaikovsky, Smetana, Saint-Saens, Respighi (Tue). (47 20 36 37)

NETHERLANDS

Amsterdam (Nieuwe Kerk, Dam Square). Bach's Christmas Oratorio with the Excelsior Choir and the Netherlands Philharmonic (Tue).

Utrecht (Vredenburg). Handel's Messiah with the choir of the Utrecht Oratorio Society and soloists conducted by Johan van der Camp (Tue). The choir and baroque orchestra of the Netherlands Bach Society conducted by Ton Koopman in a programme of Bach Christmas cantatas (Wed). Recital Hall: Electronic concert, with Kerstin Stahl, mezzo (Tue).(31 45 44)

Rotterdam (Doelen). Deo Cantemus with songs of praise (Tue, Wed). Recital Hall: Robert Holl, bass, accompanied by Oleg Maisenberg: Schumann (Tue). Bach cello recital by Heinrich Schiff (Wed). (413 24 90)

Arnhem (Musis Sacrum). The Netherlands Chamber Choir under Gustave Leonhardt, with Bob van Asperen, harpsichord: Sweelinck, Huygens, Verrijt, Hollander, Monteverdi (Mon). (51 61 91)

Nijmegen (Vereniging). Daniel Sergio Tiempo, piano: Beethoven, Schumann, Chopin (Wed).(22 11 00)

NEW YORK

Orchestra of St Luke's (Carnegie Hall). Blanche Moyse conducting, Benita Valente soprano and the Blanche Moyse Chorale. Bach (Mon). (247 7800)

Juilliard Concerts (IBM Gallery, 56th and Madison). Stuyvesant Brass Quintet. Bach, Ewald (Mon, 5); New York Chamber Orchestra. All-Bach programme (Tue, 5). Free.

Elizabeth Rich, piano, and Rolf Schulte, violin (Merkin Hall, Goodman House, 67th w of Broadway). All-Beethoven programme (Mon). (362 8719)

WASHINGTON

Choral Arts Society of Washington (Concert Hall): Christmas programme (Tue). Kennedy Center (254 3776)

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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Not breaking the mould

THE BEST that could be said of Mr David Steel's decision to force the pace and seek a merger between the Liberals and the Social Democrats even before the results of the last general election had been fully analysed was that he wanted to get a new party in place to prepare to fight the next election as soon as possible.

Mr Steel has not yet been shown definitively to be wrong. The British political landscape in two or three years' time may look quite different from today and presumably that is the horizon at which he is gazing.

Yet what seemed a precipitate, scarcely thought-out decision in June looks no less dubious in December. For a start, Mr Steel failed to take Dr David Owen, the SDP leader, even part of the way with him. It may be argued that Dr Owen was unduly churlish in opting out of the merger negotiations from the beginning rather than seeking to channel them into a more appropriate course, but that is water under the bridge. The facts remain that Dr Owen is a formidable political figure and is likely to keep control of a sizeable rump of the original Social Democratic Party. That is not what the idea of the merger was meant to be about.

If the new party is formed – and it is hard to see how its proponents can now easily go back to square one – it is almost bound to have leadership problems of its own. Mr Steel has still not made it clear whether he will stand, but must know as well as anyone that he is in danger of looking a bit tarnished. Mr Robert Maclennan, who has presided over the merger talks for the SDP, is full of good intentions and intellectually able, but hardly sets the house on fire. There are others, like Mr Alan Beith, the deputy Liberal leader, who could make a stab at the job, but it should be remembered that we were supposed to be talking about a potential alternative government, not a variant on the old fringe Liberal Party.

Common factor

Besides, it will not be forgotten that the Liberals under Mr Steel have made attempts at a political breakthrough before. There was the Lib-Lab pact of the late 1970s, then the Alliance with the Social Democrats. Now there is the proposed new party. A common factor of the earlier ventures was a tendency to end in tears. Even when the Alliance was riding high in the opinion polls and winning by-elections, internal problems were not resolved. The Liberal Assembly in Eastbourne in 1986 voted against the Alliance defence policy without much thought for the harm that would do to the standing of the Alliance as a whole. After the general election the personal animosities between the founding members of the SDP came into the open.

Some of the old failings and perhaps incompatibilities were apparent at the meeting of the Liberal Council in Northampton at the weekend. It may have been disingenuous to have attempted to write a commitment to NATO into the preamble to the new party's constitution. That is not where such a policy statement belongs. Yet it was done and, when the Council rejected it, Mr Steel was made to look as exposed to the whims of his party activists as he did at Eastbourne. He said yesterday that he would fight for its restoration, but he has started to look like a man bogged down in inner-party battles.

Another option

The argument about what the new party should be called is not in itself important, except that a party that cannot agree on its name is unlikely to agree on its objectives in terms of first securing power and then knowing how to use it.

The impression given to the outside world is that the proposed new grouping is seeking to establish a constitutional framework before seeking broad electoral support. Such an approach has not previously been a recipe for success in British politics. A political movement is built at least as much from the bottom up as from the top down. It is one thing to say that the country wants another option between Mrs Margaret Thatcher's Conservative Party and Mr Neil Kinnock's Labour Party: It is quite another to persuade the electorate that such an option is seriously on offer. Moreover, the big parties may change in the meantime.

Still, as Mr Steel could say, these are early days. There has not been a single by-election in the new Parliament and the Labour Party has shown little sign of recovery. The role of the old Liberal Party in giving a Conservative Government a fright between general elections while denying advances to Labour was never insignificant. The new party could take it over. But that is a long way from the original aim of the realignment of British politics. It is still Mrs Thatcher who has done most to break the mould.

A door opens in Prague

THREE DAYS before Soviet tanks rolled into Czechoslovakia in August, 1968, and cut short the Prague Spring, Janos Kadar met Alexander Dubcek on the Czech-Hungarian border. The Hungarian leader, a master of the art of the possible, appears to have been trying to warn the doomed Czech leader of what might lie ahead.

As they parted, Dubcek later told a friend, Kadar asked desperately: "Do you really not know the kind of people you are dealing with?"

The resignation last week of Gustav Husak, whom Moscow installed as Dubcek's successor in Prague, prompts the question: do East European leaders still have to deal with the same kind of people in Moscow once they have got past Mikhail Gorbachev's "nice smile"? And can his efforts to forge a more flexible relationship between Moscow and the rest of the Soviet empire, both within the Soviet Union and in Eastern Europe, prove more successful than Nikita Kruschev's efforts in the 1950s to de-Stalinise the Eastern bloc?

Power struggles

There is much sympathy in Eastern Europe for Gorbachev's argument that, taken too far, centralised control can lead to economic and political suffocation. But there is scant evidence of any ground swell of support for his drive for economic reform and more democracy.

The replacement of the Brezhnev generation by that of Gorbachev could provide an historic opportunity for change, if the process can be carried out without giving rise to crippling power struggles between reformers and conservatives.

Husak, the first of the Warsaw Pact's five septuagenarian leaders to step aside, does appear to have avoided, or at least postponed, such struggles by installing the lacklustre Milos Jakes as his successor. Jakes is no reformer but his proficiency at swimming with the tide could prove useful both to his country and to Moscow in ensuring a smooth transition during a period of potentially destabilising change.

Loosening the reins of authority can be immensely disruptive unless it is done in a highly controlled way, with the limits of what is permissible clearly laid down. Kruschev's failure to set such limits led directly to the events of 1956 in Hungary and Poland. Brezhnev's failure to assert himself against the military and other, more shadowy forces, and to tell the Czechs what was expected of them ("It's your business," he told them on a famous occasion) led directly to the events of 1968.

Real dilemma

Gorbachev, who insists that economic and social restructuring cannot take place without more democracy, and who has told the Eastern bloc countries that Moscow has no monopoly on truth and wisdom, faces a real dilemma. If he tightens the reins again at the first signs of trouble, his talk of openess and reconstruction will be exposed as a hollow sham. If he attempts a hands-off policy, he could well end up, like Kruschev and Brezhnev before him, by sending in the tanks.

Yet he and his generation, both in Moscow and in the other eastern capitals, will not be satisfied with the rigid relationships between Communist parties and between party and society that characterised the Brezhnev era.

Is a more flexible structure achievable? The example set by Kadar in Hungary and by the League of Communists in Yugoslavia suggests that it is, though neither presents a shining example of economic management. But to achieve such a fundamental change throughout the Eastern bloc would, paradoxically, require a very powerful presence at the helm in Moscow – whose strength and authority was so unquestioned that they would not have to be called into play, and whose confidence in himself and in his own support was sufficient to prevent a return to neo-Stalinism.

Mr Gorbachev is not yet in such a position. But one day he could be, and meanwhile his presence is such that the neighbours have to take note.

Charles Leadbeater reports on the problems facing the NUM in the run-up to its presidential election

Weighed down by disillusion

WHEN Woolley colliery closes this week for Christmas, it will close for good. But as the men willingly pack their bags, Woolley's most famous former miner, Arthur Scargill, president of the National Union of Mineworkers, will be preparing to renew his fight.

The men's acceptance of the pit's closure will not dent his confidence in the run-up to the January 22 ballot on the union's presidency. To him, it will be yet more evidence that the NUM should fully endorse his strategy of struggle to oppose the industry's contraction.

In the 2½ years since the end of the 1984-85 strike, the union – beset by a more assertive management, pit closures, calls for the introduction of six-day production and the emergence of the breakaway Union of Democratic Mineworkers – has descended into a war with itself. This has produced a stalemate between Mr Scargill and his opponents on the union's national executive committee, which over the past 18 months has restrained his militancy.

Will the election, in which Mr Scargill is opposed by John Walsh, a moderate, break that stalemate, put the union on a new course and, one way or another, bring it more success? Or will it merely be a reflection of its weakness in the face of intractable problems within the union, which themselves reflect the industry's transformation and the strength of the British Coal management?

> 'The workforce is demoralised. For too long in this union we have thought that to predict a problem was to solve it'

It will be a test of whether Mr Scargill's appeal – a powerful cocktail of history, morality, revulsion at the market economy and defiant militancy – has endured the setbacks the union has suffered over the past four years.

His belief in the inevitability of class struggle allowed him to foresee attacks on the union and the wave of pit closures, although others derided him at the time. One phrase echoes in his wake: "He has always been proven right."

But, according to Mr Scargill, history also issues moral imperatives. He claims that the industry is littered with broken promises: the Government has reneged on investment plans, other unions have reneged on promises of solidarity in the crucial strike. His attacks on the breakaway union as a malignancy always draw the strongest applause at campaign meetings.

This culminates in an assertion of the political, industrial and moral necessity of struggle, without compromise of principle, which his supporters say chimes with young miners' daily experience of harsher management since the strike.

Mr Scargill does not encourage miners to vote for him just because they calculate he will be the best instrument to achieve their ends. He wants them to see him as the concentrated expression of their gut responses to the conflict-ridden world they inhabit.

His critics object to several aspects of his account of the class struggle and his apparently central role within it. They believe that his self-righteousness, combined with an over-optimistic assessment of the effectiveness of industrial action, means that he maintains his principles at the expense of his members' interests.

They maintain he is out of touch with a demoralised rank and file. As one of his key supporters in the North Yorkshire coalfield acknowledges: "If we had a vote on closure at any pit in the area, however profitable and secure, we would lose it. The men do not want to fight; they want to get out of the industry."

Mr Scargill also has little to say to that pragmatic streak within miners, evident in the 60 per cent increase in productivity since the end of the strike, which just wants to turn up to work, earn the incentive bonus and go home.

These criticisms cohere into a single question: "What has Arthur achieved?" He says he has negotiated three wage agreements, cheap coal for members and their families and led the union with a clear vision. His critics are more sceptical. As one miner at Kellingley, North Yorkshire, the largest pit in the country, says: "He led us in a disastrous 12-month strike and split the union."

Criticism of Mr Scargill has been led by the South Wales and Scottish areas of the union. But the most telling indication of the desire for a change of approach comes from Derbyshire and Yorkshire, areas which have traditionally been much closer to him.

Jack Taylor, the Yorkshire NUM president, says: "British Coal has made some big gains since the end of the strike. The workforce is demoralised industrially. For too long in this union we have thought that to predict a problem was to solve it."

Gordon Butler, the Derbyshire miners' leader, concurs: "We have got to move the union forward. It exists to further its members' interests and we are not doing that. The lads do not like being told that strike action is the only solution to every problem."

These two area leaders identify four issues which the next NUM president will have to address: unity within the union; relations with the miners in the UDM; a range of differences with the corporation; and the survival of the union itself.

Mr Taylor and Mr Butler also want to see a different approach to issues such as the corporation's drive to introduce flexible shifts to enable six-day production. While neither wants to see big concessions being made – Mr Taylor generally believes Mr Scargill is the best man for the job – they do want to see greater willingness to negotiate.

"We have got to distinguish what we would like from what we can achieve," Mr Taylor says. And Mr Butler speaks in a similar vein: "Six-day working is a local question with national implications. You have to ask the men on the ground what they want. It might be a matter of saving their jobs."

Mr Butler fears that without a changed approach the union could fragment as areas pursue separate negotiations over incentive pay, flexible working and other issues. Mr Taylor points to a different worry: "One of the biggest problems is the union itself. Far larger outfits than the NUM have already merged with bigger unions."

Indeed, Mr Scargill has started talks with the National Union of Railwaymen and Aslef, the train drivers' union, on forming a closer liaison.

Over the past 18 months most of the criticisms have come from the non-Scargillite left within the union. Yet one of the most significant features of the election is that no one from this section is standing as a candidate.

This partly reflects the local loyalties encouraged by the union's federal structure based on the spread of coalfields. For example, Mr Des Dutfield, the South Wales miners' leader, widely regarded as Mr Scargill's leading critic, prefers to stay in the Rhondda rather than go to the union's Sheffield headquarters. It is also an expression of the left's trauma at becoming so disenchanted with Mr Scargill after sinking so much hope in his gaining the post in 1981.

Certainly Mr Scargill's move in calling this election – the first since he came to power – has sown confusion among his opponents and exposed their lack of co-ordination or political unity. Three months ago, before the election was called, the South Wales area suggested Mr Scargill should resign because he had flouted an instruction from the executive; last month the area suggested he should not resign because the election was called in breach of conference policy and so would be in some sense undemocratic.

Scargill supporters argue that this confusion reflects a fundamental weakness in the critics' position. They are happy to snipe at Mr Scargill in pursuit of their sectional, area interests; but when their bluff is called they are not prepared to challenge him nationally. They say it reflects the critics' lack of a national strategy for the union.

As a branch official at a highly productive North Yorkshire pit explains: "The management here wanted to bring in subcontractors to drive a tunnel; we wanted NUM men to do it. So we offered job reductions elsewhere in the pit to free men to do the work. Imagine a union offering job reductions. The management were not interested in a dialogue. They said they would take the job cuts and bring in the subcontractors anyway. It is true nationally as well: anything you offer they will take and they will take what they wanted anyway."

A senior coal board official echoes this view: "Mr Scargill's opponents on the executive are decent men whom we could talk to, even if they have a naive belief that if they offer concessions we will be able to do the same. We cannot."

So the mantle of opposition has fallen to Mr Walsh. He is not one of Mr Scargill's new critics. In a sense he represents a return to the past as much as Mr Scargill, for he is a product of the union's traditional right-wing, which bred Joe Gormley, Mr Scargill's predecessor. Given the uncertainty over whether a more conciliatory approach to negotiations would work, Mr Walsh's vote is likely to be as emotional as Mr Scargill's: a vote for decency, normality and pragmatism against Mr Scargill's dogmatic, holier-than-thou militancy.

Mr Walsh's election could turn the NUM into just another union – united and open to negotiations. But it would mean the union facing the issues which Mr Scargill's leadership has at least helped it to ignore. The leadership would have to bite the bullet over relations with the UDM and six-day working. A Walsh leadership would lead to improved benefits for the 50,000 to 60,000 miners who could remain in 10 years' time; but at the price of a smoother rundown of the industry and far-reaching changes to working practices.

Despite the reservoir of disillusion with Mr Scargill, he still commands great loyalty and remains the most likely victor. Mr Walsh is likely to poll strongly among white collar workers, and in Lancashire and the Midlands. The vote in Yorkshire, which accounts for a third of the union's members, and the north-east is likely to be close. Ironically it may be the rank-and-file vote in Scotland and South Wales, the traditional left-wing areas most critical of Mr Scargill, which will return him. They would swallow hard before voting for a right-winger and many think Mr Scargill will put up more of a fight to protect their pits.

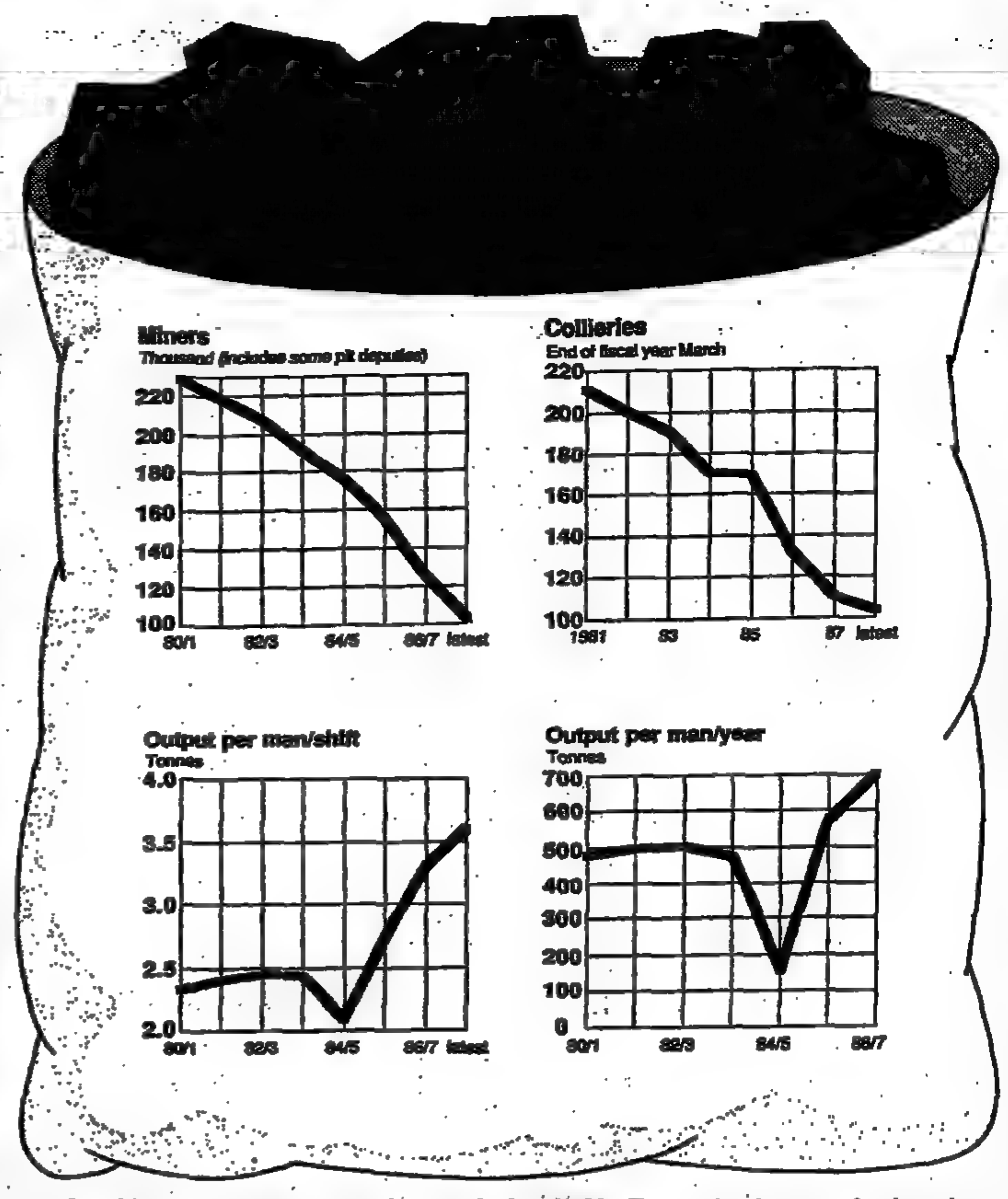
Mr Scargill believes his re-election would lead to a decisive shift in the balance of power within the union, foreshadowing contests for the leadership of the union's areas, further centralisation of the union's structure or other changes in the way the executive operates, which would break the grip of the "new realists".

Opponents argue that this would lead to a faster rate of pit closures, as a privatised electricity supply industry turned to coal imports and British Coal pushed through changes to working practices regardless.

On this view, the NUM would further fragment. In some parts of the industry there would be trench warfare. But much of the membership could become more demoralised. As one South Yorkshire branch official puts it: "Since the end of the strike we have had everything shoved down our throats. If men get six-day working shoved down their throats without any benefits, they will start to drift away from the union. As they see it, it is not prepared or able to do much for them."

But it seems more likely that Mr Scargill's re-election would be just another stage in the drawn-out struggle with his opponents. However, their long march would continue. The union would change, but slowly, and perhaps not fast enough for either the corporation or its customers.

Whatever the election's outcome, it will not alter the fact that the management has the whip hand. As Mr Taylor concludes: "You cannot lay all the problems of the union at Arthur's door. The union is in a mess because the industry is in a mess. We might have to face it that, whichever way we go, some of our problems might be beyond negotiated resolution."



Men and Matters

Manila, December 20

High season for Aquino

The thousands of Filipinos streaming back to Manila this Christmas from jobs all over the world will find a much happier country than they left last January.

A year that began with government troops shooting 16 demonstrating farmers, followed by an attempted military coup,is ending on a rosy note for President Corazon Aquino.

The Association of South East Asian Nations summit took place without a hitch despite grave fears that rightwingers would disrupt it. And the economy has started to bubble energetically, buoyed partly by increasing investment, but also by the Filipino habit of immediately spending most of what is received in Christmas bonuses.

Colonel dashed

But the highpoint has been the capture of Col "Gringo" Honasan three months after he led the last and most serious attempt to overthrow the government.

He was not caught, however, before the lively Philippine film industry had produced a send-up called "Gringa", starring an outrageously camp shadow of the dashing rebel Colonel.

It is the latest example of the political parodies which appear in these islands with delightful irreverence only days after the smoke of momentous political events has cleared – and which perhaps help Filipinos to come through turbulent times.

The film should have had one more sequence. In September, when Mrs Aquino's government was looking particularly shaky, one of the country's over-enthusiastic columnists – sometimes known as "calumnists" – accused Mrs Aquino of hiding under her bed at the height of the August coup.

In response, she stormed from the palace, and led astonished reporters to her house where she showed that hiding under her bed was physically impossible.

The ploy nearly backfired, however, when reporters noticed that her bedside reading included a copy of "The Prince", by Machiavelli.

This month she had the last laugh when the swashbuckling Gringo was captured – after a vain attempt to hide under a bed. Quipped Mrs Aquino, "Who's hiding under the bed now?"

Big earners

The annual homecoming of Filipinos is one of the truly joyful aspects of Christmas in the Philippines – unless one is aboard one of the returning flights.

The millions of Filipino Americans, maids, and contract workers now spread throughout the world repatriate more than twice as many dollars each year as the country earns from semi-conductors, its largest export.

They bring home with them a bewildering array of what is loosely called "hand luggage".

Manila airport – which at the best of times is a frantic place – is consumed in a seething mass of moving boxes and muffled squeals of delight.

"We tend to be a bit more lenient at this time of year", says a Philippine Airlines spokesman, "It's in the spirit of Christmas ... and the Philippines."

The migration begins as early as mid-November. Philippine Airlines (PAL) has leased two extra wide- bodied jets to augment its badly overstretched international fleet and has laid on ten extra flights a week.

People problem

One reason why so many Filipinos need to work abroad is that there are so many Filipinos.

In a country where half the population is below the age of 16, it is quite common to have more than 60 first cousins. Birth control,the obvious solution, runs smack up against the very powerful Roman Catholic church.

But an answer may be on the horizon for the hard-pressed Filipino authorities. This month USAID donated three million condoms to the Philippine government, ostensibly to prevent the spread of AIDS. The condoms will be issued free in the bars and motels of Manila and of the towns around the country's two American bases.

Population Commission officials refused to take the condoms, so they are now being distributed through the health department.

Those most concerned about the population explosion hope that concern about AIDS may now indirectly help their cause.

Takeshita's tour

Returning Filipinos may miss the familiar sight of squatters along Manila Bay.

They need look no further than "Toilet City", a relocation site for squatters that is also a monument to the corrupt regime of former President Ferdinand Marcos.

The budget for the housing development was so comprehensively pilfered that all the builders managed to produce was a field with serried ranks of gleaming toilet bowls.

Some of the squatters are now drifting back after having been shifted out of sight during the Asean Summit meeting.

Also kept somewhat out of sight were the children who are so often seen sniffing glue in the shadow of a church hoarding that beseeches, "Get High on God – Not on Drugs".

Ironically, tight security meant none of the ASEAN leaders saw much of the spruced-up Manila Bay area. Only Noboru Takeshita, on his first trip abroad as Japan's prime minister, ventured beyond the cordon, winning the hearts of many Filipinos by his gesture of confidence in their security arrangements.

His act spoke volumes to the local people and counted more than anything he actually said in public. In Tokyo, Takeshita is already known by journalists as the man whose speech is clear but whose meaning is not.

The sentiment was shared in Manila after an hour–long press conference revealed nothing more noteworthy than the comment – "Only God knows" how far the yen will rise against the dollar.

Political theatre

Once Christmas is over, Filipinos will return to a favourite pastime, their third visit to the polls in one year.

On January 18 they will elect local officials including governors. It will conclude the return to democracy started when Marcos was removed from power last February. Over 20 candidates have so far been killed in election related violence since campaigning began on December 1.

The election has produced an interesting collection of unusual candidates. There is the former rebel colonel who fought the government in August and is standing for governor in the home province of opposition leader Senator Juan Ponce Enrile.

Then there are the basketball players, movie idols, and singers.

In the May Congressional elections, the opposition's top –notcher was Joseph Estrada, an action movie star. Now he brings a certain panache to the sober senate deliberations, lounging in sunglasses through debates on tax reform and investment codes.

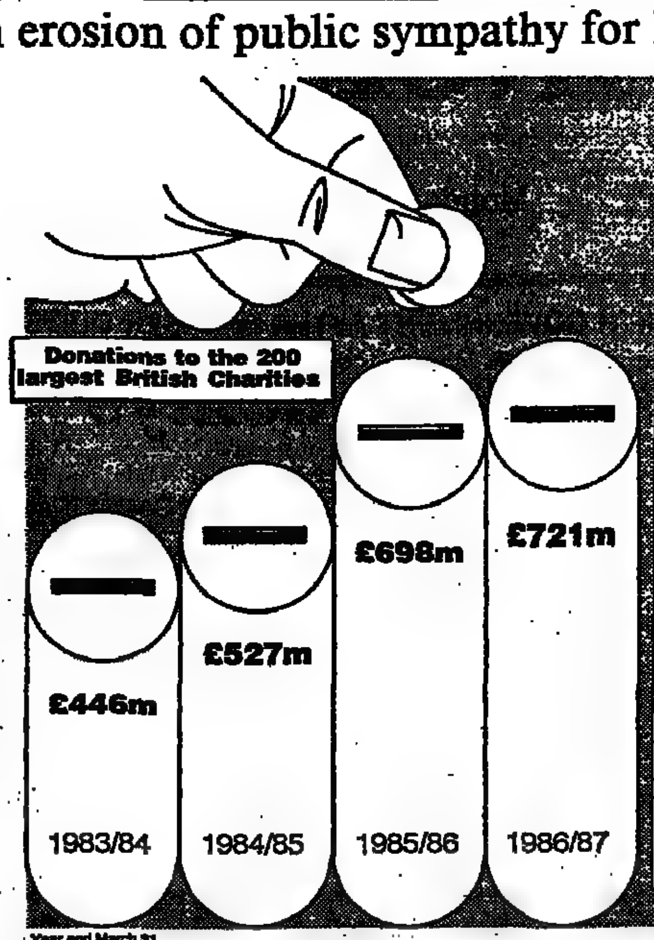
His performance probably inspired a cartoon in the Philippine Inquirer featuring the President's 16-year old daughter, Kris Aquino, an aspiring singer and actress manquee.

"Mommy, if you had only let me be an actress", Kris implores her mother, "I could have been a candidate too."

Observer

Alice Rawsthorn reports on the effects of an erosion of public sympathy for Ethiopia

The price of famine fatigue



Top ten charities in 1986/87

	£million
1. Oxfam	42.7
2. Save the Children Fund	32.8
3. RNLI	28.8
4. National Trust	28.4
5. Imperial Cancer Research	27.3
6. Cancer Research Campaign	22.7
7. Dr Barnado's	22.3
8. Salvation Army	20.4
9. Band Aid	15.0
10. Guide Dogs for the Blind	13.7

Source: Charities Aid Foundation

THREE years ago the suffering of the Ethiopian people touched the conscience of the world. Donations flowed forth. This Christmas the spectre of famine has returned. Yet there are ominous signs that the tide of public opinion, in Britain at least, is turning against Ethiopia.

In the Northern regions of Tigray, Eritrea and Wollo the harvests have failed and people are leaving their homes in search of food. The aid agencies working within Ethiopia are preparing to cope with another emergency and have appealed to the public for donations. They are convinced that they can prevent the current tragedy from turning into a crisis – provided enough money arrives.

The response so far has been disappointing. The problem is that the speedy recurrence of the crisis has taken its toll on public sympathy. The same newspaper columns which sympathised with the suffering of the Ethiopian people in the last famine are now inveighing against their government.

Two weeks ago, the main international aid charities in Britain – Christian Aid, CAFOD (the Roman Catholic relief organisation), Oxfam, Red Cross and the Save the Children Fund – launched an appeal, under the aegis of the Disasters Emergency Committee (DEC), to raise money for relief work in Ethiopia. Today those charities are seriously concerned that the current climate of opinion could dissuade people from responding to their cause.

Although it would be premature to pronounce upon the success or failure of the appeal, the initial response has been far from encouraging. In its first fortnight the appeal has raised just over £1m from the public, rather less than the charities had hoped for.

The British arm of UNICEF, which is appealing for £6m to help stave off famine, is also concerned about the changes in public opinion.

For the agencies, the most frustrating factor is that there is a real chance of preventing a repetition of the disaster which devastated Ethiopia in 1984 if enough money can be raised in time. The harvest failure was detected far earlier and the relief infrastructure remains intact. But if the public fails to rally to the appeal, their hopes of containing the crisis will be dashed.

During the last famine, scenes of tragedy in Ethiopia touched the conscience of the West. By the time the television crews arrived in the country that *autumn, hundreds of thousands* of people had left their homes to converge upon the cities in search of food. Some died on the journey. Others starved to death. Still more fell victim to the epidemics which swept through the crowded food camps.

The public response was overwhelming. More than $140m (£78m) rolled into Band Aid, the organisation founded by the rock star Bob Geldof. No sooner had the DEC closed its £9.5m appeal for Famine in Africa than £6m arrived in unsolicited donations. Similarly the established aid agencies, like Oxfam and the Save the Children Fund, increased their income.

There is a real chance of preventing a repetition of the 1984 disaster

The charities have always known that the extraordinary success of that appeal was unlikely to be repeated. Inevitably there was a risk that, as images of famine became more familiar, people would become inured. Moreover "famine fatigue" or "compassion fatigue" could sap public sympathy. International aid, having established itself so swiftly as the fashionable "cause of the 1980s", could just as swiftly become unfashionable.

This problem of "famine fatigue" has been exacerbated by the sheer speed with which Ethiopia has plunged into another tragedy.

The 1984 famine was the first large-scale food crisis to strike *the country for more than a* decade. The plight of the people was so desperate and the images of their suffering so stark that the television and newspaper reports relayed back to the West were preoccupied with their tragedy.

Today famine is a more familiar phenomenon. Inevitably the "bottomless pit" question has been raised: how much longer will the West be expected to bail *out Ethiopia?*

This poses more complex questions about the value of Western aid, not only to Ethiopia but to the rest of the Third World. Is there a risk that the availability of emergency relief makes a nation less willing, or less able, to fend for itself? Will an influx of emergency grain distort the agricultural economy by depressing market prices for food from less vulnerable areas of the country?

But "famine fatigue" and wider doubts about the efficacy of Third World aid are not the only explanations of the lack-lustre response to the present appeal. *In the case of Ethiopia,* these issues have been clouded by the country's political problems, or rather the media's interpretation of them.

Whereas in 1984 the media coverage concentrated on the suffering of the Ethiopian people, this year it has focused on the record of their Government, the Marxist regime led by President Mengistu Haile Mariam, which has been in power since 1974.

The Mengistu regime has a *notoriously* poor human rights record. For years it has been embroiled in civil war in the regions of Tigray and Eritrea; it has poured money – sorely needed for food – into arms and is *now* preventing aid from reaching the drought-affected war zones in the North.

In the words of the Sun, the most raucous of the popular papers: "At the heart of the Ethiopian tragedy are the pack of criminals who run the country...a clique who live in luxury and drive Mercedes cars while deprived millions go hungry. Our food parcels are saving a pitiless tyrant from the justice he deserves. The great mercy mission is really an exercise in futility."

Even the more restrained press reports have raised the question of whether the flow of Western aid into Ethiopia may be encouraging the Mengistu regime to abdicate responsibility for the suffering of its people. Is there a danger, it is asked, that the provision *of emergency* and long-term relief is propping up an odious dictatorship?

Such sentiments, combined with reports of attacks on aid convoys by the Eritrean People's Liberation Front, which is embroiled in civil war against Mengistu, have fostered the belief that any aid sent to Ethiopia is doomed never to reach the people who need it.

This climate of opinion has left the aid agencies in a dilemma. Publicly, as non-governmental organisations which depend on their apolitical status to work within Ethiopia, they remain aloof from its politics. Yet privately, they are painfully aware that the Mengistu regime and the civil war make the administration of both long-term aid and emergency relief much more difficult. Similarly, there is concern about the ethics of funding agricultural projects in a country like Ethiopia, where the Government pursues a collectivist farming programme.

The charities make no attempt to question the validity of the public's worries, but they stress that the plight of the Ethiopians is so desperate that the need to help them overrides political concerns. Similarly they argue *that the immediate cause of the* crisis was drought, a natural disaster, not the politics of the Mengistu regime.

As Pam Pouncey of the DEC puts it: "We can understand the public's concern that their donations may not reach people in need. *But our* field workers have invested years of effort in ensuring that aid does get through. The Ethiopian people are suffering terribly and we desperately need more money to save them."

When the last famine struck the international charities working within Ethiopia were unprepared. The relief infrastructure of transport, storage and distribution had to be set up from scratch.

Shipments of food, trucks and medical supplies took months to reach the country and arrived only to find that the roads weaving around the mountains of the north were hopelessly inadequate. By the time aid from the West reached its destination, tens of thousands of people had already died.

Now there is a relief infrastructure and the long-term projects begun in the wake of the last famine have borne fruit in some regions. Moreover, both the aid agencies and the Ethiopians themselves learnt lessons and were far quicker to spot the warning signs this autumn.

One of the principal problems three years ago was that the starving peasants left their homes to head for the makeshift food camps outside the cities. *Those who survived the journey* arrived to find camps that were over-crowded and rife with disease. The aid agencies are convinced that more people were killed by epidemics than by starvation.

This year the charities are determined to stop the camps from reforming. Instead they have set up rural distribution

Long-term projects started after the last famine have borne fruit in some regions

centres to ensure that people are able to make short journeys to collect food and then return home to try to mitigate the damage caused by the harvest failure.

For this strategy to succeed, sufficient food supplies must be sent to Ethiopia. Unless people are confident that there will be more food when they go back to the centres for future supplies, they will be too frightened to return home.

Unless there is a strong international response to the charity appeals, there is a great risk that tragedy will strike Ethiopia all over again.

Donations to the Disasters Emergency Committee should be sent to: Ethiopian Famine Appeal, PO Box 999, London EC2R 7ET. Or to UNICEF at UNICEF, FREEPOST, London WC2A 8BR.

Lombard

On being booed in Downing St

By Samuel Brittan

IT MAY not be a very good Christmas tale; but one of the memories that keeps intruding itself is the one and only time in my life I was booed.

It was just over 20 years ago; and it was in no less a place than Downing Street, where I was with some departing journalists. The occasion was a press briefing after the devaluation of sterling from $2.80 to $2.40 on November 18, 1967.

Emerging from Number 10 we were booed because the croud standing outside thought we were members of the Wilson Cabinet, who had brought about what Harold Wilson himself had taught people to supose was a national humiliation.

But I must admit that my own reaction to the booing crowds was somewhat patronising. "Poor innocents," I thought, "they are booing the one correct economic decision of the Wilson Government, one which might liberate us from our torments. If they really want to demonstrate, they should have come here a long *time before to boo Harold* Wilson's three-year fight to save the parity." One reason why this period has been preying on me is that I recently chaired a seminar of former policy makers and advisers at the Institute of Contemporary British History on the 1967 devaluation. (The proceedings are to be published in the next issue of the Contemporary Record, available from the ICBH, 34 Tavistock Square, London, WC1H 9EZ.)

My main impression at the seminar was how little most of the participants had changed in two decades. Some of the key officials had *not* even aged. It was as if we had all been asleep for two decades or more and were now resuming a briefing - although this time no longer off the record.

Perhaps the most novel revelation came from Professor Robert Neild, who explained that Kaldor's Selective Employment Tax had originally been intended as a serious devaluation substitute, levied at a higher rate to finance a rebate for traded goods. The idea had been killed by George Brown, the first Secretary of State for Economic Affairs, because he did not want to hand over money to employers.

Intellectually the most interesting revelation was that the passage of time had done nothing to soften the deep disagreements between two Scottish knights, who kept on succeeding each other in various top economic positions. Sir Donald MacDougall and Sir Alec Cairncross. Sir Donald was convinced that the UK was in a fundamental disequilibrium - IMF jargon for needing to devalue - as early as the winter of 1963-64, when the Conservatives were still in office. But the Treasury would not let him say so. After Labour came to office, *Macdougall* was given two minutes before having his analysis rejected. (A lively account of this and many other episodes is to be found in MacDougall's recently published Don and Mandarin, John Murray, £14.95.)

Sir Alec Cairncross, at the Treasury, doubted that sterling was in fundamental disequilibrium and did not feel that the devaluation case *had been fully* made out until well into 1967. By contrast the National Institute had suggested devaluation as early as 1961 and lost one of its stuffier sponsors as a result.

One notable absentee was Nigel Lawson - he of DM3 to the pound fame. During the arguments of the mid-1960s he had been a passionate advocate of devaluation from the editorial chair of the Spectator. The rest of us were censored, or self-censored, into talking about "fundamental policy changes," which our readers were not as quick to decode as we had hoped.

I have left too little space to say what I now think in retrospect. But if I dare end on an unseasonal note, it is this: on the common body of mainstream Keynesian assumptions on which both MacDougall and *Cairncross* worked - as did virtually all the policymakers of the time - MacDougall was right. But on the more counter-revolutionary (miscalled "monetarist") assumptions that came afterwards, some variant of the Cairncross position was right. In other words, it would have been best of all to have run the economy on anti-inflationary lines from 1960-61 onwards to prevent the need for devaluation arising in the first place. But by some date in the mid-1960's, it was better to recognise the reality of overvaluation.

The wider moral is that no controversy is ever resolved with the passage of time, even if *some* of the participants cross from one side of the *floor* to the other in the meanwhile.

Letters to the Editor

Irredentism has its logic

From Lord Monson.

Sir, You claim that prior to the recent air fare deregulation negotiations Spain showed "commendable patience" in its dealings over Gibraltar (December 10). Why? What harm have Gibraltar or the Gibraltarians caused Spain or the Spaniards that might remotely have justified impatience on the part of the latter?

If irredentist ambitions are to be deemed respectable, then one could as logically argue that Germany showed "commendable patience" over the Sudetenland between the Treaty of Versailles and the mid-1930s. The geographical arguments in favour of Germany's claim to that territory were no less valid than those allegedly supporting Spain's claim to Gibraltar, while the historical, ethnic and cultural arguments backing Germany's case 50 years ago were very much stronger.

Perhaps the paramountcy of self-determination isn't such a bad principle to adhere to, after all.

Monson,
House of Lords, SW1

Opencast coal deserves supporters

From the Director General of the Federation of Civil Engineering Contractors.

Sir, Your article "Coal communities urge cut in opencast output" (December 15) reports that the Coalfield Communities Campaign is seeking a reduction in opencast output for economic as well as environmental reasons.

As to the first of these, in the last financial year an output of 14m tonnes of opencast coal provided an operating profit of £243m for British Coal, compared with only £39m profit from 88m tonnes of deep mined coal.

On the second point, that opencast should be curtailed on environmental grounds, I should point out that modern opencasting carried out by civil engineering contractors is followed by restoration such that it is one of the few industrial activities which leads to no permanent loss of countryside.

Moreover, opencast working frequently improves the environment. As one example, the restoration of the Shipley Lake opencast mine in Derbyshire, on a previously derelict site, received a Civic Trust Award for its contribution *to the quality* and appearance of the environment.

It seems possible that the campaign against opencast coal has less to do with genuine economic or environmental concern than with the political leanings of many of its supporters and the Luddite tendency of the NUM, which does not have members on opencast sites.

Ron Emery,
Cowdray House,
6 Portugal Street,
London WC2

Journalistic etiquette should have applied

From Mr Harry Nagler.

Sir, Andrew Whitley's article, "Shamir moves to head off aid cuts" (December 3), exceeds the bounds of reporting and launches into speculation more properly the province of editorial comment. When he raises questions he does so in his own name; proper journalistic etiquette would have required him to find a quotation from some public personality to express this view, if that is the slant he wished to give his article.

For having permitted him to get away with it, you deserve censure. As a US taxpayer I should perhaps thank Mr Whitley for his manly defence of my interest; but I doubt that a paltry few million here or there would have been left unspent by the Congress.

Harry Nagler,
190 Riverside Drive,
New York

Rothschild would have acted legally

From Mr Jeremy Strachan.

Sir, In their interesting piece on insider trading (December 10) Messrs Herzel and Shepro comment that if Nathan Rothschild had been a director of the hypothetical Rothschild plc and, once in possession of advance knowledge of Wellington's victory at Waterloo, had bought shares in the company, he would have acted illegally under present English law. This, the writers say, would be "a classic case of insider dealing."

Not so, *for at least two* reasons. First, an essential ingredient of the offence under the Company Securities (Insider Dealing) Act 1985 is that the information which the director holds (here, a knowledge of the battle's outcome) must be held by virtue of his being connected with the company. Nathan Rothschild would not, in the imaginary case, "hold" this information by virtue of any such connection.

Second, the information must relate to specific matters concerning the company, and not be of a general nature relating to or of concern to the company. However difficult it may be to draw a clear *line* between the general and the specific (and one leading textbook has described the wording of this requirement as "both clumsy and obscure"), it is hard to conceive of a more general, less specific piece of information in relation to Rothschild plc than the identity of the victorious army at the Battle of Waterloo.

Jeremy Strachan,
16 Lonsdale Road, SW13

Given the hard sell in the street

From Mr Hamish Hay.

Sir, I am a 20 year old student half way through my degree course, subsisting on a 50 per cent grant supplemented by a small allowance from my parents.

I was shocked to be accosted in Oxford Street, London, the other day by a financial services salesman who subjected me to about 10 minutes high pressure sales talk in the street, followed by a further half an hour in the firm's offices. I escaped only by agreeing to go back - an appointment I cancelled.

How can selling financial services in the street be acceptable if *selling umbrellas* or other goods without a street trader's licence is an offence?

Hamish Hay,
27 Montagu Mansions, W1

The manufacturing trade balance will have to be stronger

From Dr John Wells.

Sir, Sir Charles Villiers questions (Letters, December 14) whether it really was necessary for Britain to experience a deterioration in her manufacturing trade balance in the period since *the 1950s - in* response to huge improvements in non-manufacturing trade - or whether, if British industrial performance had been on a par with those of Germany and Japan, we could, like them, have continued generating enormous manufacturing export surpluses.

What Sir Charles may fail to appreciate is that the behaviour of the manufacturing trade balance is not the unambiguous indicator of industrial performance it is widely thought to be. Trends in the manufacturing balance reflect developments on the *non*-manufacturing side of the economy, as well as the overall macro-economic balance – the relationship between domestically-generated savings and domestic investment: that is to say, whether a country is a net capital exporter and, hence, in surplus on commercial account.

The strength or weakness of a country's industrial performance, on the other hand, is best measured in terms of the rate of growth of overall *per capita* national income, the growth of employment opportunities and the ability to maintain external balance.

Of course, Britain's industrial performance since the Second World War has been weak. This has been reflected in a comparatively low rate of growth of real *per capita* income, rising unemployment (since the mid-1960s) and a perennially weak balance of payments. If British industrial performance had been stronger, then national income would undoubtedly be higher.

But given the huge changes in non-manufacturing trade which occurred, most of which were relatively autonomous in kind (that is, largely independent of industrial performance), then so long as Britain had remained broadly in balance on commercial account, her manufacturing balance was bound to deteriorate. In this case, Britain's increased export revenue from her greater industrial prowess would have been used to purchase an increased volume of manufactured imports.

If Britain, like Germany and Japan, had decided to abstain from enjoying to the full the fruits of her enhanced prosperity, and become a net capital exporter, then in this case she would have run large export surpluses on commercial account and would not have experienced such a large deterioration in her manufacturing trade balance.

However, this only serves to illustrate the point that for a country like the UK, industrial performance is undoubtedly the *main determinant* of the overall rate of economic growth. Meanwhile it is the savings-investment balances which determine whether a country is in deficit or surplus on commercial account, and hence – given its balance in non-manufacturing trade – whether it is in surplus or deficit in manufacturing trade, and to what degree (as a proportion of national income).

It is by no means inevitable that Britain would have used its enhanced prosperity - as Germany and Japan have done - to become a major net capital exporter. Nor is it by any means clear that these two countries will be able to sustain such a position for very much longer.

However one thing is certainly clear. As North Sea oil revenues decline, Britain's manufacturing trade balance will have to be considerably stronger than it is now if we are to have any chance of bringing about substantial reductions in unemployment, as well as continuous increases in everyone's standard of living.

John Wells,
Faculty of Economics and Politics,
University of Cambridge

FINANCIAL TIMES

Monday December 21 1987

Ø

Janet Bush on
Wall Street

Redressing the risk of investing

THE STEADY stream of applications for British Petroleum shares from private investors as share prices came crashing down around their ears provided disturbing evidence that many who had been caught up in British Prime Minister Mrs Margaret Thatcher's revolution of popular capitalism had not caught on to the idea of downside risk.

Of course, America is different. The US has been a share-owning democracy for a lot longer than Britain and investment in stocks is far more widespread – there are about 50m private US investors compared with around 9m in Britain. And, naturally, American investors are far more sophisticated. They understand all about hedging and arbitrage and playing stock index futures. But do they?

One of the prime aspects under review as various official bodies pore over the entrails of the crash is the impact on private investors, many of whom lost heavily.

The number of complaints received by the Securities and Exchange Commission from retail investors about securities firms has doubled in the weeks since the crash. On November 9 the North American Securities Administrators Association (Nasaa) set up a hotline to nurse investors through their individual crises. Callers have been provided with a handbook called "Coping with the Crash."

One of the persistent complaints from private investors was their inability to get through to their brokers during the volatile days of late October. (Ironically enough, Nasaa urged callers to its hotline to be persistent in trying to get through as some investors had been getting busy signals for hours before reaching a Nasaa operator).

In the aftermath of the crash the securities industry – already agonising about costs, lost profits and bonuses, and staffing levels – has been urged to reinforce self-regulation and rebuild the confidence of the private investor.

And in Congress last week, various industry folk gave testimony to concerned politicians in the telecommunications and finance subcommittee of the House Energy and Commerce Committee. To Republican Congressmen and women, disenchanted private investors could mean disenchanted Republican voters. To Democratic representatives, disenchanted investors provide a golden opportunity to stand up for the "little man" against the aggressive, money-grabbing giants of the securities industry – and that could mean votes.

Political cynicism aside, there have been some tragic (and sometimes horrific) individual stories since the crash, and it is the serious business of organisations such as the SEC, the Brady Commission and Congressional committees to ascertain dispassionately whether the flood of complaints is simply an understandable, but unfair, outpouring of vitriol against the securities industry or a justified outburst against malpractice.

A balancing act has to be executed between suffocating paternalism and leaving private investors defenceless in the hands of unscrupulous (or ignorant) brokers. The judgement required is reminiscent of the divergence of philosophy between the British Treasury and the Bank of England over the BP rescue package. The Treasury erred on the side of letting investors swallow their medicine and went for a 90p lifeboat price whereas the Bank of England (with its central bank's responsibility for financial stability) suggested 50p

Mr James Meyer, representing Nasaa at last week's congressional hearing, has no doubt that the blame lies with deregulation which had led to a proliferation of new financial instruments so complex that few people understood what they were supposed to do or how they worked. This ignorance had been compounded by misleading information in sales pitches from brokers. Hotline calls give some evidence of the losses sustained – the estimated 2,600 callers suffered an aggregate loss of around $450m, or $173,000 each.

The painstaking reviews currently under way attempt to examine both sides of the problem. Firstly, individual exchanges and regulatory bodies are investigating each complaint and any evidence of malpractice by brokers will no doubt attract penalties.

Secondly, there is widespread discussion of ways in which the naive investor can be protected against his or her own ignorance. One major topic being considered is raising margin requirements for investors wanting to trade options and futures.

Many brokerage firms and individual exchanges have already adjusted margin requirements. The American Stock Exchange, for example, doubled its margin requirements on index options on October 26. What studies over the next few weeks have to try and judge is whether even more risk-averse margins must be instituted to cope with the volatility of the future.

BRAZIL'S LARGEST PARTY COULD CUT TIES WITH GOVERNMENT AFTER BRESSER QUITS

Row looms over Sarney's delays

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL'S largest political party looks set to sever relations with the Government of President Jose Sarney following the resignation late on Friday of Mr Luiz Carlos Bresser Pereira, the Finance Minister.

Mr Bresser, imposed by the dominant Democratic Movement Party (PMDB) on the President last April, quit when Mr Sarney stalled his plan to introduce a new capital gains tax.

Mr Bresser's departure was accompanied by the resignation of Mr Fernao Bracher, the former central bank president. Until last week Mr Bracher led the team negotiating the restructuring of $68bn in commercial debt.

It is thought likely that Mr Fernando Milliet, the current Central Bank president, may follow shortly.

Mr Bracher has been a familiar figure in New York among the creditor banks. Mr William Rhodes, the leader of the 14-member bank negotiating committee, was quoted as promising that the changes would not alter his timetable for completing a new three-year deal, intended to take place next month.

However, there must be doubts, and these centre on the issue behind Mr Bresser's resignation – the inability of any Brazilian finance minister to win political backing for tough economic reforms.

The minister's resignation also reflected his wider dissatisfaction with Mr Sarney's refusal to back fully a fiscal and spending cuts package aimed at curbing inflation, now in excess of a record 360 per cent a year.

"This is a weak Government, incapable of taking the decisions needed to adjust the economy," he told reporters.

The new Finance Minister is Mr Mailson Ferreira da Nobrega, a career civil servant at the finance ministry, who will serve for an interim period prior to a new appointment.

Leftwingers in the PMDB – the majority party in both houses of Congress – are now seizing on the ex-minister's resignation as grounds for a complete break with the Government.

Any such move is certain to split the party, however, as rightwing members were among a large political lobby pressing Mr Sarney to block proposals for capital gains and wealth taxes.

Hong Kong banks set to levy speculators

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Association of Banks is preparing to allow members to charge so-called negative interest rates by imposing a levy on large deposits. The move is intended to discourage speculative pressure against the Hong Kong dollar.

The action comes after several weeks of intense pressure from speculators expecting the colonial administration to revalue the currency against the US dollar. The Government has repeatedly and adamantly insisted that it has no plans to revalue the currency.

The Hong Kong dollar has been linked to the US currency at a rate of HK$7.80 since late in 1983. US officials have argued recently that Hong Kong should, like other Asian newly industrialised countries, revalue its currency in an effort to restore bilateral trade equilibrium with the US.

While the local currency is linked to the US unit, the only defence against speculative pressure has been to alter interest rates, and these have been falling steadily in recent months.

Prime lending rates have fallen by 1 percentage point since early November to 5.5 per cent, while deposits on savings have slumped to a meagre 1.5 per cent and overnight interbank rates have plunged to as low as ⅛ of 1 per cent.

The association of banks unveiled plans at the weekend for a "specified rate rule," which will allow members to impose a levy on large speculative deposits.

Mr John Mackenzie, the group's chairman, described the move as "a mechanism for collecting interest on excessive credit balances in response to the continued speculation regarding the HK-US dollar link rate."

However, there was no indication of when, and in what, circumstances the rule will be activated.

Mr Mackenzie said: "There is a lot of hot money swilling about out there. We've got good investment money coming in too, but we would like to get rid of the speculation.

"These speculators are a nuisance. People who want to punt in the Hong Kong dollar are disturbing the community's genuine commercial activity. They would be well-advised to go to the race courses where the odds are very much better."

The link rate between the Hong Kong and US dollars was introduced as an emergency measure in November 1983 to staunch panic selling of the currency based on political fears. It is generally regarded as having served Hong Kong well in providing stability through a period of acute political uncertainty.

Nevertheless, over the past 18 months the link has come under regular attack as the US dollar has fallen against other currencies worldwide. There is no disputing that Hong Kong's export competitiveness has been greatly enhanced – particularly against its keenest competitors in east Asia. An export-led boom has resulted in acute labour shortages, and rising inflation.

Protectionist lobbies in the US have, nevertheless, been the fiercest critics of Hong Kong's refusal to revalue, and there have been suggestions in recent weeks that trade penalties may be imposed if nothing is done.

In response, Hong Kong officials insist that the territory has to be seen as a special case. They say the territory is an entirely free market – a model of what the US Administration would like to see in other territories in Asia.

They also say that while Hong Kong maintains a surplus on its visible trade with the US, it has no overall trade surplus, and its current account (including invisible trade) shows only a tiny surplus. This contrasts with Taiwan and South Korea, which run substantial surpluses in their trade with the rest of the world.

Telecom authorities plan data networks

BY DAVID THOMAS IN LONDON

TELECOMMUNICATIONS authorities in 15 western European countries are pressing ahead with plans which could revolutionise the provision of international data networks for large companies in Europe.

The Conference of European Postal and Telecommunications Administrations, which represents western Europe's telecommunications authorities, is engaged in two projects to foster greater collaboration in providing data networks.

The first, which would put the authorities in direct competition with some of the world's largest computer companies, is concerned with managed data networks, which are at the heart of the convergence between telecommunications and computing.

This would involve the telecommunications authorities in managing private lines for data traffic for large companies. Private lines, formerly used mainly in-house for these purposes, are increasingly being used by companies to communicate with their customers and suppliers.

Large computer and computer service companies such as International Business Machines, Electronic Data Systems, a subsidiary of General Motors, and Geisco, a subsidiary of General Electric of the US, are competing to provide such services in Europe.

A feasibility study by the European telecommunications authorities on whether they should enter the market in a co-ordinated, pan-European way concluded that there were no technical barriers to prevent them.

The authorities cover Austria, Belgium, Denmark, France, Finland, West Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK. They have begun a further two-part study with the aim of launching the service by the third quarter of 1989.

The first part of the new study, to begin next May, involves questioning potential customers about their attitude to the project. A second part will look at the problems of introducing such a service.

The project will probably have to satisfy two key conditions:

- "One-stop shopping" – a multinational company would be able to order all requirements for its private data networks throughout Europe from the telecommunications authority serving its European headquarters.
- "One-stop billing" – similarly, a multinational would be able to pay for everything associated with its private network at the one point.

The second project involving European telecommunications authorities is the upgrading of international links between their public data networks, which are used for electronic messaging, gaining access to databases and some financial transactions such as credit card checking.

Israeli army braced for further violence

Continued from Page 1

the Gaza Strip to Israel. An Islamic college was closed for two days after students rioted in Hebron.

In Jerusalem on Saturday about 200 Arab youths attacked four branches of Israeli banks, smashing windows and setting fire to furniture and documents. They also sacked an Israeli-owned restaurant and stoned passing cars.

In a tightly-controlled response, police and para-military border police dispersed the rioters with teargas and arrested 33 of them.

The security forces are braced for trouble today in response to a general strike called by leaders of Israel's 650,000 Arab citizens. They fear that even if the strike passes peacefully, as promised, it will provoke fresh violence in the occupied territories.

With only four days to go before Christmas, Mr Elias Freij, the Arab mayor of Bethlehem, yesterday rejected Palestinian calls to cancel the town's traditional celebrations. The Israeli Ministry of Tourism says about 50,000 pilgrims are booked to arrive from abroad, an increase of 25 per cent on last year.

"The whole world will be looking towards Bethlehem," Mr Freij said. "I will never mix religion with politics. Even though I am totally disappointed with the policies and the actions of the Israeli army...I think we should honour the birth of Our Lord Jesus Christ on Christmas Day."

In the Lebanese city of Sidon, an estimated 7,500 people – Palestinians and Lebanese – marched through the streets yesterday, chanting that they would escalate "armed struggle" against Israel.

●Agencies reported from Cairo that the Egyptian Government yesterday delivered a sharp protest to Israel's ambassador, Mr Moshe Sasson.

In the fifth official statement since the unrest in the occupied territories, Mr Sasson was told of the outrage of the Egyptian government - still the only Arab state to have signed a peace treaty with Israel - at what a Foreign Ministry statement described as "the brutal, oppressive measures taken by Israel against the Palestinian people in the occupied territories".

Ruhr steelworkers' cathedral of protest

Continued from Page 1

side Works Gate One. Shopkeepers early on formed into a solidarity movement and keep the workers supplied with food and funds.

Outside stands Mr Edmund Kaminski, a 59-year-old who has worked at the plant since 1943. He recalls taking part himself in demonstrations in 1946 against British troops who tried unsuccessfully to dismantle the plant and take it back to the UK as part of war reparations.

"We sat down on the streets so the tanks couldn't get through. We saved the works for Krupp," says Mr Kaminski, grim-faced at the irony of it all. "We ae a very peaceful people. But when we're driven into a corner, when it's a question of our very existence..." His voice tails off, leaving the threat of violence unspoken and, maybe, unbelievable.

There is little merriment among the Christmas shoppers of Rheinhausen. Mr Rudolf Mess, the neat, precise manager of the Kaufhalle department store, says: "Customers are hesitating, they are buying much more selectively." Pre-Christmas turnover was 7 to 8 per cent lower than in comparable stores elsewhere.

There is just one modest silver lining for Mr Mess. "Normally, when we open in the morning, the drunks are the first in. During the last three weeks, we haven't had any. People are watching more carefully how they spend their money - and going home rather than spending all night in a bar."

Friday's protest was a solemn counterpoint to a mammoth steel demonstration the previous week when, throughout the Ruhr coal and steel region, plants stood idle, shops and schools were closed, and roads blocked.

The disruptive action, although carried out largely peacefully, underlined powerfully how steelworkers' tempers are slowly rising. It has worried, though not yet alarmed, the federal government in Bonn. And it drew a promise last week from the Krupp management at least to consider the option of non-closure in New Year negotiations.

What will happen next? The steelworkers are realists who know all about world over-capacity, even though they complain that Bonn has failed in Brussels to protect them from subsidised competition from elsewhere the EC.

Mr Dietmar Hauschkle, a burly IG Metall man whose helmet is scrawled with slogans labelling top Krupp executives as "grave-diggers," says the company's latest pledge to negotiate may be just a tactical ploy. "The plant is just as endangered as on the first day. They want a period of quiet – we won't give them that."

But he adds quietly, in a remark which could sound like desperation, that if the Krupp workers win their fight, the battle over plant closures will simply move elsewhere – perhaps to Mannesmann's steelworks on the other side of the Rhine.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	—	—	Dubrovnik	-	—	—	Malta	F	18	64	Rhodes	-	—	—
Algiers	-	—	—	Edinburgh	R	12	54	Manchester	C	12	54	Rio de J'o	C	31	88
Amsterdam	F	10	50	Faro	-	—	—	Manila	S	33	91	Rome	C	15	59
Athens	R	13	55	Florence	S	12	54	Melbourne	-	—	—	Salzburg	-	—	—
Bahrain	C	24	75	Frankfurt	R	10	50	Mexico City	S	25	77	San Francisco	F	17	62
Bangkok	S	30	86	Funchal	-	—	—	Miami	C	23	73	Seoul	F	4	39
Barcelona	S	16	61	Geneva	F	16	61	Milan	-	—	—	Singapore	C	30	86
Beirut	R	18	64	Gibraltar	C	16	61	Montreal	Sn	-6	21	Stockholm	C	-1	30
Belfast	C	11	52	Glasgow	C	11	52	Moscow	C	-7	19	Strasbourg	-	—	—
Belgrade	F	7	45	Guernsey	C	10	50	Munich	R	7	45	Sydney	-	—	—
Berlin	R	7	45	Helsinki	F	0	32	Nairobi	-	—	—	Taipei	C	18	64
Biarritz	C	12	54	H. Kong	S	21	70	Naples	S	17	63	Tangier	-	—	—
Bombay	-	—	—	Innsbruck	R	4	39	Nassau	S	24	75	Tel Aviv	S	17	63
Bordeaux	S	15	59	Inverness	F	11	52	New Delhi	S	24	76	Tenerife	-	—	—
Brussels	C	10	50	Islamabad	S	23	74	New York	C	7	44	Tokyo	F	13	55
Budapest	C	9	48	Istanbul	R	10	50	Nice	S	17	63	Toronto	C	3	37
B. Aires	S	25	78	Jakarta	R	33	91	Nicosia	R	14	57	Tunis	-	—	—
Cairo	C	18	64	Jersey	C	10	50	Oporto	-	—	—	Valencia	-	—	—
Cape Town	-	—	—	Jo'burg	C	29	84	Oslo	D	-3	27	Venice	Fg	0	32
Caracas	S	26	79	Lima	S	26	79	Paris	C	7	45	Vienna	C	9	48
Casablanca	-	—	—	Lisbon	F	19	66	Peking	-	—	—	Warsaw	C	8	46
Chicago	C	2	36	London	C	12	54	Prague	-	—	—	Washington	R	4	39
Cologne	R	10	50	Los Angeles	F	16	60	Reykjavik	-	—	—	Zurich	-	—	—
Copenhagen	C	8	46	Luxembourg	C	7	45								
Corfu	-	—	—	Madrid	S	13	55								
Dallas	F	4	39	Majorca	S	20	68								
Dublin	C	13	55	Malaga	C	16	61								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Long-range missile plan

Continued from Page 1

Israel is said to be virtually the "turn of a screwdriver" away from arming these missiles with nuclear warheads.

Western military experts familiar with the Egyptian-Argentine collaborative venture are divided on progress made towards completing Condor II, though some believe Egypt has already conducted at least one test-firing connected with the project.

Egypt is also believed to be building, with North Korean assistance, an improved Scud B battlefield missile of the type Iran has been using against Iraq in the so-called "war of the cities." The Egyptian version would have a range of about 300km, and be capable of delivering a 1,000kg payload.

The new missile control regime is also being used to put pressure on Western governments to stop companies with missile expertise under their jurisdiction from exporting components such as propellants and guidance systems.

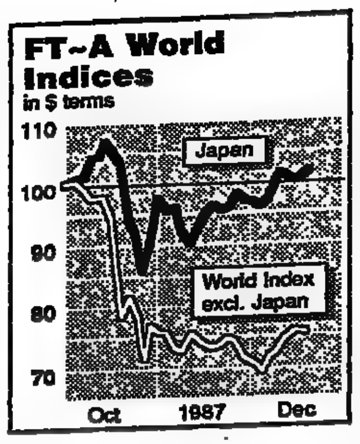
Messerschmidt-Boelkow-Blohm of West Germany is understood to have assisted in the Argentine missile programme through a third-country subsidiary.

Additional research by Tim Coone in Buenos Aires

THE LEX COLUMN

Tokyo believes in itself

Investors in New York and London may be under the impression that the great bull market of the 1980s has come to an abrupt halt. But in Tokyo, which has recently emerged as easily the biggest stock market in the world, there seems to be a serene confidence that Japan's exceptionally long bull market remains intact. Admittedly, there was a nasty setback in 1974 and the market just about stood still in 1982; but apart from these exceptions, the Tokyo stock market has ended each year higher than it started for more than two decades. Japanese investors see no reason why this is about to change during the next few years.



The resilience of the Tokyo stock market in the wake of last October's world stock market crash has left many international fund managers decidedly puzzled, and not a little embarrassed. After an initial 14.9 per cent plunge, the Nikkei Dow average has found a new trading range of between 22,000 and 23,000. In dollar terms it has recovered to its end-September levels, and is still showing a rise of more than a third on the year to date, whereas Wall Street is back to where it was at the start of the year.

Stock market peaks

The rest of the world's major stock markets reached their all-time highs in the summer, with the exception of West Germany, which peaked in April 1986. However, the message coming out of Tokyo remains decidedly bullish. Indeed, Nomura Securities, an investment firm which towers over the likes of Merrill Lynch or S.G.Warburg in terms of capitalisation, stated last week that the Tokyo stock market is likely to outperform both London and New York by a significant margin over the next few years. It feels so strongly that the strength of the Japanese bull market has been misunderstood by foreign investors that it has been taking out full page newspaper advertisements to state its case. As far and away the biggest operator in the Japanese stock market, Nomura obviously has a vested interest in the maintenance of a long-term bull market in Japanese equities. Nevertheless, its arguments are worth rehearsing for no other reason than that they are probably not much different from the official Japanese view. The contrarian investment philosophy has never caught on in Japan.

Nomura begins its case for Japanese equities by stressing the long-term strength of the Japanese economy. It forecasts economic growth of 3.8 per cent in 1988, which is not much different from this year's estimated growth, and is nearly twice as fast as the rate for the OECD. Over the next decade it is forecasting real Japanese growth of 4.5 per cent per annum, compared with OECD growth of 2.6 per cent. It believes that the yen will continue to appreciate and that Japan will increase its lead as the world's largest creditor nation with a net position of $430bn by 1990. Corporate profits should continue to grow by around 20 per cent next year, or more than twice as fast as in the rest of the world, mainly because Japanese companies have adapted surprisingly quickly to the problems of a strong yen and because domestic growth is increasingly important.

Foreign investors

The second strand of the argument involves an expected increase in equity investment by certain key sectors. Although Tokyo now accounts for 40 per cent of the world stock market capitalisation, foreign investors have been steadily reducing their stake, and from a peak of around 8 per cent in the early 1980s, portfolio investors now account for probably no more than 1½ per cent of the total. This exodus limits further downward pressure from that source and Nomura believes that over time overseas investors will be persuaded to increase the below average Japanese weighting in their portfolios.

Meanwhile, it is forecasting a substantial increase in equity investment by Japanese individuals. A high domestic savings rate, continuing low interest rates, the abolition of tax breaks on fixed income saving and the effectiveness of privatisation programmes, makes Nomura confident that the declining importance of individual investors will be reversed. It notes with pride that they bought a net $4.5bn of stocks in Black Monday week (more than double the net investment of Japan's investment professionals) and saved the Tokyo market from a complete rout. The private investor's apparent new-found faith in the stock market, combined with the fact that only one in fifteen Japanese invest in equities, compared with one in five in the US, underlines Nomura's forecast that this sector will invest close to $250bn - more than the entire capitalisation of the West German stock market - in equities over the next two years.

Pension funds

Another potential support for the Tokyo stock market over the medium-term is the expected increase in the proportion of equities in institutional investment portfolios. In the UK, pension funds own about half of the equity market. In Japan they own just 1.5 per cent. But the ageing of the Japanese population is putting pressure on the pension fund industry to improve its performance, and the Government is now encouraging equity investment by the big state pension funds. They control $750bn of assets but until very recently have not invested in equities. Private pension funds, which have less than a quarter of their money in equities, control a further $170bn of assets. This figure is expected roughly to treble in size by 1995, and an increasing portion will go into equities. Meanwhile the big insurers, like Sumitomo Life, plan to boost the equity content of their portfolios substantially.

This is the bullish case for the Tokyo market. But it is one which is hard to accept, if for no other reason than that non-Japanese investors, at least, find it difficult to understand why Tokyo can remain insulated from the problems troubling the rest of the world's major stock markets. Furthermore, if Japanese equities looked overvalued relative to the rest of the world before the crash, they are considerably more expensive now. Morgan Stanley, for example, estimates that Japanese manufacturing companies are selling at roughly 10 times their 1988 cash earnings, compared with ratios of 4 and 5 for European and US companies, respectively. In addition, Japanese institutional investors have been conspicuous by their absence from the stock market since the crash which is reflected in the recent slump in trading volume. For all Nomura's brave arguments, it seems that these investors may be suffering from the same crisis of confidence that has been afflicting other major investors around the world over the last couple of months. Perhaps the most bullish signal for the Japanese market would be the return of the foreign investor -- something which could do more for local institutional confidence than any number of advertisements from Nomura.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday December 21 1987

CREDITS

Barker & Dobson deal points to a busy year ahead

THE INTERNATIONAL loans market continues to thrive in the fall-out from the world stock market collapse.

Even in the usually placid week before Christmas, £1.6bn of takeover finance was arranged for Barker & Dobson, maker of the Victory V, a fiery lozenge designed to help the long-suffering British withstand the winter.

The facility, to help in the finance of its audacious £2bn contested takeover for Dee Corporation, carries a margin of 1¼ point and will be repaid in three parts: 35 per cent each after 18 and 30 months and the rest after three years. Underwritten by seven banks, led by Citicorp and Chemical Bank, it will be syndicated only when the offer becomes unconditional. With takeover bids financed by share offerings ruled out by the troubles of the stock market, bankers might see in the financing of this David vs Goliath bid signs of a busy year ahead in 1988.

This week, though, the most arduous task faced by many bankers will be the scrawling of their signatures on a multitude of loan agreements to be completed by year-end.

Due for signing on Wednesday is the $300m financing for Hidro-Electrica Espanola (Hidrola), the Spanish utility. This loan, led by Manufacturers Hanover, represented the reopening of a market effectively closed to Spanish borrowers since the debt problems of another utility, Fuerzas Electrica de Cataluna (Fecsa), came to light last February.

It is a financing which has a somewhat unusual structure. The $200m six-year deal originally carried a ½ point margin but the enthusiasm with which other lead managers joined the transaction apparently convinced the borrower that its standing was so high among international banks that it deserved a lower margin.

It got its way. An extra $100m tranche, with a ⅜ point margin, was added and in general syndication, banks were offered a half of each portion to give a blended margin of 7/16 point. Although such a spread was arguably not out of line for the borrower, the tactic was greeted by many bankers with the kind of enthusiasm which since Black Monday has been reserved for rights issues.

The syndication was accomplished last week, but Manufacturers Hanover took $22m of the lower-paying second tranche and none of the first, an action thought to have been encouraged by the spirit of goodwill which pervades the Eurocredit market at this time of year. The nine other lead managers took a total of $122m all from the first tranche, with $156m having being sold down in syndication.

India's latest coup in the international loans market is the achievement of a record low margin for a borrower from that country.

Morgan Guaranty and Bank of Tokyo International in Hong Kong were awarded a mandate to arrange a 10-year financing, with a 7½ year grace period, for the state-owned Oil and Natural Gas Commission. It carries a margin of 3/16 point for two years and ¼ point thereafter, and up to 13 more banks are being sought to join the lead management group.

A flurry of corporate deals were increased: a £250m revolving credit arranged by Midland for News International goes up to £300m; Statoil is increasing its active Eurocommercial paper programme to $600m from $350m, with Morgan Guaranty and County Natwest being added as dealers and Shearson Lehman taking over from Salomon Brothers as arranger.

Several sterling commercial paper facilities were announced, of which the largest was one for £500m for Bass arranged by J. Henry Schroder Wagg. Sun Alliance arranged a £100m programme through Barclays de Zoete Wedd.

Stephen Fidler

INTERNATIONAL BONDS

Oil price fall dominates government sector

THE EUROBOND market is officially shut from today, according to the Association of International Bond Dealers, the market's rulemaking body. For a two-week period over Christmas, market-makers are officially released from the obligation to make prices to each other.

However, this will probably make little impact on the market. Last week most dealers were still officially committed to quoting prices to other professionals, if requested, but were making little effort to get in touch with each other.

So business was virtually at a standstill, though dealers carried on adjusting prices in response to changes in the government bond markets. There, trading was dominated by the disinflationary implications of the sharp fall in oil prices during the week.

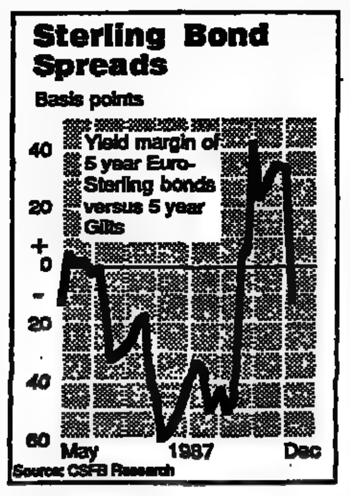
A number of domestic bond markets staged a bounce in response to this, with the US bond market benefiting most despite the weakness of the dollar. The gilt market, on the other hand, eased as sterling fell on the weakening oil price.

Retail investors based in Japan, Europe and the Middle East were displaying little or no interest in the Eurodollar market. However, investors in the US were still quite active.

Many were taking profits on bonds purchased in the immediate aftermath of the stock market crash. At that stage US investors had moved in to pick up bonds which had become cheap in relation to comparable issues in their domestic market.

This was because yield differentials over US Treasury bonds widened out dramatically, especially on corporate bonds, amid a worldwide flight to quality. But dealers say margins on corporate Eurodollar bonds are now back at roughly pre-crash levels, having narrowed by as much as 50 basis points since the market's worst point.

In the Eurosterling market, the main focus of retail activity was said to be switches from the Eurosterling sector into the gilt market as many bonds are now providing the same yield, or a lower one, than comparable government stocks.



The relative resilience of prices in the Eurosterling sector is normal, reflecting the fact that retail investors are slower to sell than the institutions that buy gilts. But the trend has been exacerbated by very thin supply over the past few weeks.

A 10-year bond for Denmark, for instance, which was yielding about 50 basis points more than the comparable gilt just after the stock market collapse, is now yielding around 10 basis points more.

In the Euroyen sector, shorter maturity bonds were being bought by some retail investors. This activity seemed to be inspired by the combination of the strong performance of the yen, which gained sharply against the dollar during the week, and the lack of interest rate direction in the bond market.

The Bank of Japan had made it clear it had no wish to ease interest rates any further, providing investors in the bond market with little incentive to lengthen maturities.

Unlike other sectors of the Eurobond market, the D-Mark sector bucked the trend in the West German government bond market. There, prices eased slightly, despite the stronger DM/dollar exchange rate, and the average yield rose from 5.93 to 5.97 per cent during the week.

However, D-Mark Eurobond prices rose by around ¼ percentage point, but activity was thin, so a new DM150m bond for Thomson Brandt International, the French electronics company, was in little demand. This was quoted on Friday as less 1¾ bid but earlier in the week it had been quoted by some dealers at levels close to its 2⅛ per cent fees.

The primary Swiss franc foreign bond market was the most active, with five issues emerging last week. New bonds launched so far this month now total SFr900m, barely down on SFr1,170m during the same period last year.

Many of these issues have been well received despite the year-end lull. Dealers said the issues had frequently been for well-liked borrowers, while bonds overall continued to benefit from switches by investors out of the equity market.

Clare Pearson

FUTURES TRADING

Lessons in market logic for bargain hunters

"IF YOU go into a store and you see that shoes are on sale, you usually buy them," argues Mr Peter Moon, at Chicago's Market Logic School. "But what does your average commodity trader do? He takes off his own shoes and tries to sell them instead."

Commodity futures markets, Mr Moon tells a mix of seasoned traders and raw novices at one of the school's courses, should be treated no differently from shopping in a supermarket. "Why do we throw all our concepts of buying and selling out of the window when we start trading futures?" he asks.

For this reason the Chicago-based school, which runs seminars in the US and abroad, finds some of its most committed devotees to be people already adept at buying and selling. Often, addicted bargain-hunters and people used to managing a home will relate easily to the school's theory.

"I've always been a thrifty shopper," explains a psychiatric nurse from Portland, Oregon, who gets up at 5.30am to trade Treasury bond futures from a screen in her kitchen.

The nurse, who did not want to be named, says she has almost given up nursing to remain glued to her screen. "I had a good eye for value, more so than a lot of my friends, and this isn't that much different from shopping." She was "killed" a couple of times by the markets before she went to one of the school's courses, but now feels she has learnt a better market understanding.

Market Logic is the brainchild of Mr Pete Steidlmayer, veteran trader at the Chicago Board of Trade, who regards a poor trading year as one in which he makes less than $100,000 profit. He, and his ex-journalist affiliate, Mr Kevin Koy, are attempting to turn accepted random market theory on its head.

The school, which started up last year, teaches the concept of value in the futures markets. Bargains are to be found by buying below value and selling above.

Participants in Market Logic's four-day courses are mostly established traders looking for a new decision-making process. But at the same time, the school's crusading zeal about demystifying the financial markets has attracted people from all walks of life.

Mr Tom Drinka, professor of applied sciences at the University of Western Illinois agriculture department and himself a former broker, says he was so interested in the school that he introduced a Market Logic course at the university in August.

But Mr Steidlmayer insists he has not invented a system of trading, just a way of organising the market. He organises it into a traditional bell-shaped curve – plotting price against time – and classifies market activity to pinpoint opportunities.

While the school stresses the need to look at markets for long-term trends, it also highlights the necessity of concentrating on short-term, market-generated information. It aims to teach traders how to build their own framework for looking at the markets and finding out where good value is.

"It's all about intuition," Mr Moon explains. "It's such a simple approach that a lot of traders have to unlearn the technical analysis they relied on before."

Mr Moon and the school's other lecturers use many real-life examples to illustrate their approach to futures. These range from the story about a beer company trying to break into an established market to the vagaries of the property market.

The school counts many established traders among its converts. They say it has made their trading much more powerful. "But you really have to work with it," comments one. "You can't just use the profile as a crystal ball." Many traders will use a computer to track Mr Steidlmayer's bell-curves and several are to be seen in the pit, thumbing yesterday's printout.

However, some pit traders feel Market Logic is taking their "secrets" and spreading them to all and sundry.

With the school set to run another course at London's International Financial Futures Exchange in January and appointments to follow in Tokyo, Sydney and Singapore, ordinary people across the globe could soon face that most dreaded of Chicago afflictions – the urge to trade commodities.

Deborah Hargreaves

US waste group sold to Union Pacific

By Roderick Oram in New York

USPCI, the US waste disposal company specialising in hazardous materials, has finally agreed to be taken over by Union Pacific, the rail, tracking and natural resources group which has been stalking it for many months.

The $28-a-share agreed bid, worth about $415m in total, was slightly higher than the hostile $25-a-share tender offer Union Pacific started for Uspci last month. It was fractionally lower, though, than the offer Uspci rejected before the October market crash.

The latest offer was supported by Beard, an Oklahoma oil and gas company, but it will not tender its 28 per cent stake in Uspci.

Instead, Union Pacific said it would negotiate a takeover of Beard once the Uspci deal was completed. Union Pacific currently has 3.7 per cent of Uspci's shares.

Disposal sites are tightly regulated by the Government, so Union Pacific would benefit from integrating disposal companies' expertise and licences with its transport operations.

Union Pacific is paying a high premium of around 40 times Uspci's annual earnings to beef up its presence in this fast-growing business.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	[illegible]
US$	1,407.5	6.5	393.5	6,671.3
Prev	343.7	0.0	267.0	6,197.4
Other	2,219.7	0.0	0.0	467.9
Prev	1,040.2	0.0	821.3	435.4
Secondary Market				
US$	13,195.8	1,147.8	9,222.1	5,184.4
Prev	15,705.1	1,657.5	10,175.9	5,010.1
Other	18,030.5	861.5	3,577.5	15,141.9
Prev	18,392.9	747.1	5,788.9	16,559.0

	Cedel	Euroclear	Total
US$	9,661.6	27,507.3	37,168.9
Prev	12,177.9	27,178.8	39,356.7
Other	15,342.1	24,956.9	40,299.0
Prev	19,147.0	24,637.8	43,784.8

Week to December 17, 1987 Source: AIBD

UK GILTS

Hopes of sustained retail support raised by rally

A NEAR full-point rally in gilt-edged prices on Friday had traders and analysts wondering whether the market had finally turned.

There had been an almost daily incremental rise in yields from a low of under 9 per cent seven weeks ago to a high of nearly 10 per cent on Friday morning. By the afternoon long gilt yields had fallen to 9.75 per cent.

A good case can be made for long gilt yields falling further in the near-term, but the extent of the fall past the 9½ per cent level remains an open question.

Concerns over monetary policy and the outlook for inflation – witness the growing yield gap between conventional and index-linked gilts here and rising long bond yields in the US – has explained the recent behaviour of yields. Technical factors, such as the lack of institutional buying over the past seven weeks, have also been reasons for the market's weakness.

There are signs that the inflation concern may have run its course and that last week saw the beginnings of some retail support for the market. The Bank of England had little or no difficulty in issuing £1bn partly paid convertible gilts (raising £500m initially) in to what was looking like a jittery market.

As important, or perhaps more so, is the recovery in the US bond market given the nexus between US and UK bond markets. The New York reaction to the fall in oil prices, following Opec's inability to strike a workable deal on prices early last week, has been substantial.

Long bond prices have risen almost 5 points and this has seen yields move down from 9.4 per cent to 8.9 per cent in the space of five trading days. But almost all of the movement in US bond prices occurred on Friday.

Would the gilt market have risen a point in the afternoon without the rally in New York? Like many hypothetical questions it is not answerable with any degree of confidence. Perhaps a better way of asking the question would be: On an unchanged bond market in New York and taking into account the "relief factor" after Friday's bank lending figures became known, would gilts have risen a point on money supply data which fell broadly in line with market expectations?

It would be churlish to deny that there are some strong technical and anecdotal factors pointing to a rally in gilts over the next month or so.

Inflation bears should be comforted by the behaviour of the oil price, which should now exert a deflationary force on the economy. A sterling crisis is currently reagarded as an outside possibility, so there appears to be some near-term stability assured for officially guided rates.

(But this week's trade figures, which are expected to show a further deterioration in the trade and current account balances, are eagerly awaited for any indications they give of the pressures the authorities may be under to defend the pound.)

The market also took last week's avalanche of economic data largely in its stride. It wanted to confirm its belief that the UK economy had built up considerable momentum going in the October collapse in equity prices, and it did.

This left intact the view that Britain is unlikely to suffer any dramatic recessionary effects from the stock market crash. As market analysts also began to think about 1988, most envisaged underlying inflation remaining in the 4 per cent to 4.5 per cent band for most of the year and concluded that conventional gilt yields were currently too high.

In the rush of trading on Friday it seems the market did not notice how comfortably situtated the authorities now are in respect of funding over the remainder of the financial year.

In the eight months to the end of November the authorities were about £1.2bn underfunded. Redemptions over the remainder of the financial year amount to £1.5bn on a gross basis. This suggests that after next month's auction the funding pressure is likely to be very modest indeed, failing any unexpected developments.

The relative scarcity of primary stock that this implies is likely to run into some fairly strong institutional demand for gilts in the new year. According to a Greenwell Montagu survey of 135 institutional clients the balance of investors expecting to increase the proportion of their cash-flow into gilts next year, less those expecting to reduce it, was 70 per cent.

Simon Holberton

US MONEY AND CREDIT

Opec disarray sparks recovery

TEN DAYS ago, US credit markets were in an awful state. The trade figures for October plunged the markets into their familiar despondency about the dollar exchange rate and the outlook for interest rates. Long-term rates, which fell as low as 8.79 per cent in the aftermath of the stock market crash on October 19, seemed to be pushing inexorably towards double figures.

Forget all that. Last week the dollar slid all right, and was trading under Y126 on Thursday, but it was overtaken by oil prices on the way down. The cost of oil for delivery in January fell $2.73 a barrel to end the week at $15.58.

The prospect of falling prices throughout the economy helped launch the strongest credit market rally since the capital flight into government bonds in October. Long-term interest rates fell back under 9 per cent. The Treasury 30-year bond rose 5¾ points to almost par value, where it yielded 8.90 per cent. There was a flood of corporate new issues at substantially lower rates.

It was not just oil. The decline in the dollar against the yen was so precipitous that it took much of the market's anxiety with it. At Y126 to the dollar, US goods are now 12 per cent cheaper in yen than at the weekend before the crash. Against the D-Mark, where the going is much stickier, the figure is 3 per cent.

The foreign exchange markets are increasingly confident that any further declines will be temporary overshoots – at least in this phase of the dollar bear market. And foreign exchange and credit markets both took heart at rumours on Friday that the Group of Seven industrial countries would work to stabilise the dollar.

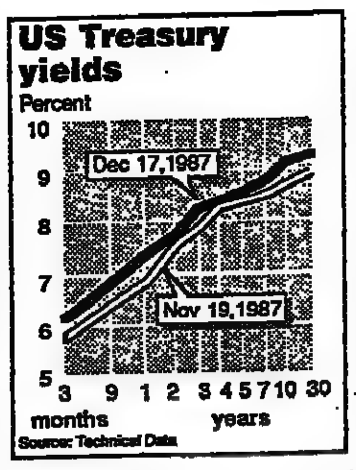
By the weekend, there were strong reports that the G7 was about to issue a statement vowing to address the imbalances in trade between the US and Japan and West Germany. There was also talk of a meeting in the New Year.

The long-term bond markets enjoyed a fillip of their own from a minor technical development. Because of an old-fashioned budgetary control measure going back to the 1960s, the Treasury is limited in the volume of higher-rate long-term bonds it can issue. At the November refunding, the Treasury reached its limit of $250bn and exhausted its authority to issue more. Congressional negotiators, at their noble work of fixing a budget for next year, had planned a proposal to allow the Treasury to issue as many long-term securities as it likes, but this was dropped from the package last week.

Without any further action from Congress, there will be no 30-year bonds at the February refinancing – and the current crop is enjoying a little scarcity value.

But the key to last week's rally was the disarray at the Opec meeting, the prospect of overproduction and the break in the oil price. Some traders were evidently reliving the winter of 1985-86, when the collapse in oil prices quenched any other pressure on prices in the economy, so that the consumer price index rose just 1 per cent in 1986 and both stock and bond markets gained nicely. Last week saw the stock and bond markets rising in tandem, for the first time since the crash.

But the credit markets remain cautious. Most economists see lower oil prices as offsetting the rise in import prices caused by the dollar decline. Mr Philip Braverman, the money market economist at Irving Securities, believes that oil prices will move down below $15 a barrel, but not for long.



Source: Technical Data

"Though oil prices will eventually move back to $18 a barrel, the current decline should be sustained long enough to keep inflation subdued in the first half of next year, despite the dollar plunge," he says.

Salomon Brothers believes that at current crude oil values, prices of retail gasoline should drop by 8 to 9 cents a gallon and cut as much as 0.2 per cent per month off the rise in the consumer price index "for two to three months." Since the CPI rose only 0.3 per cent in November, this is quite a bonus. But the main virtue, Salomon says, is to buy time. "At a time of lingering uncertainty over the course of economic activity, the current interlude relieves interest rate pressures worldwide and adds a degree of flexibility to monetary policymakers elsewhere."

There were dissenting voices, however. Many people in the market have been spooked by the almost daily evidence of a quite strong domestic economy. The last thing they are looking for is a stimulus to economic activity from lower energy prices.

Last week's figures showed an economy that took the stock market crash in its stride. Industrial production in November was up 0.4 per cent, capacity use was up at 81.7 per cent and housing starts were 7.5 per cent ahead. Consumer spending, however, continues to be weak.

Mr Mitchell Held, economist at Smith Barney, warns that the oil price drop will probably be reversed, but not before it has given a push to an already strong domestic economy, "much as a tax cut does." He believes that inflation expectations will rise over the next few months, and with them long-term yields.

* * *

Two main economic statistics will be published over the Christmas period:

- Durable goods orders for November, due tomorrow. Orders are expected to have declined by 0.5 per cent, according to a survey of 30 economists conducted by Money Market Services of Redwood City, California. Orders rose 1.4 per cent in October.
- Leading economic indicators in November, due on December 30. The index is expected to decline 1.3 per cent, according to a consensus of economists. The index fell 0.2 per cent in October.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.44	6.81	6.69	11.34	5.96
Three-month Treasury bills	5.95	5.87	5.72	7.17	5.83
Six-month Treasury bills	6.40	6.00	6.25	7.45	5.30
Three-month prime CDs	7.00	6.90	7.15	8.25	5.90
30-day Commercial Paper	6.95	6.95	6.40	7.70	5.75
90-day Commercial Paper	7.00	7.75	6.75	8.05	5.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100½	+2½	8.60	9.08	8.38
20-year Treasury	100½	+5½	8.77	9.57	8.75
30-year Treasury	99¾	+5¾	8.90	9.47	8.84
New 10-year A Financial	n/a	n/a	10.13	10.38	9.67
New AA Long utility	n/a	n/a	10.09	10.45	10.12
New AA Long industrial	n/a	n/a	9.95	10.50	10.05

Source: Salomon Bros (estimates).

Money supply: In the week ended December 7 M1 rose by $3.7bn to $754.4bn.

WORLD BANK CO-FINANCING

Eleven groups join $200m Algeria deal

THE FIRST World Bank co-financing for Algeria is being arranged through a group of 11 banks led by Banque Nationale de Paris and Credit Lyonnais.

Three French, three Arab and five Japanese institutions are involved in the $200m loan, up to $20m of which could be provided by the World Bank.

The maturity of the commercial bank loan is eight years with a 4½-year grace period and a margin above interbank rates of ¾ per cent for the first six years and ⅝ per cent for the last two. There is a commitment fee of ⅜ per cent.

The $200m commercial bank loan is part of a $630m package, $250m of which will come directly from the World Bank, to finance water supply and sewage projects.

It comes at a time when a number of institutions are trying to define more precisely the level of Algeria's foreign debt.

The International Institute for Finance has recently completed a report suggesting that Algeria's total foreign debt will reach $22bn by the end of this year. It estimates that two-thirds of the $7.5bn increase in indebtedness since 1984 is accounted for by the decline of the US dollar.

Estimated net borrowing in 1987 is put at $950m, which reflects estimated gross borrowing of $4.6bn, including short-term credits of $500m and amortisation of $3.7bn.

The source of net financing includes export credit agencies, expected to provide $500m, commercial banks, $300m, and foreign suppliers, $150m. Debt service ratio as a per centage of exports of goods and services is estimated at 55 pere cent.

The World Bank for its part estimated Algeria's total medium and long-term borrowing at $15bn at the end of 1986.

The Organisation of Economic Co-operation and Development, meanwhile, whose different publications have shown diverging figures for Algerian debt to reporting countries, and which has in the past systematically over-reported certain credits, estimated that the debt stood at $19.8bn at the end of last year. This figure excludes about $2bn of multilateral non-OECD lending and loans from non-OECD sources.

Among the possible reasons for discrepancies are:
- Loans that have been repaid or prepaid and which the OECDstill lists as outstanding.
- Certain export credits which are not included by the Ministry of Finance in Algiers as they resulted from projects in which there was a dispute (ie goods were never shipped but disbursement was made to the exporter).
- Algeria has been granted a large number of buyer credits by foreign governments but some of these loans might be reported as outstanding rather than simply committed.
- The Ministry of Finance in Algiers classifies all loans with final maturities of a year and more as long-term debt whereas the OECD considers debt equal to 12 months as short-term.

Francis Ghiles

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on DECEMBER 18

FRENCH FINANCIAL FUTURES

Matif stays on course despite Cogema blow

FOR AN infant less than two years old, France's financial futures market has been saddled with a heavy load of guilt.

The market, known as the Matif, opened in February 1986 to unexpected success, and its long bond contract is now unquestionably the price to watch in the French bond markets.

But as financial markets around the world became more turbulent this autumn, the Matif found itself charged with crimes ranging from the encouragement of speculation and the exaggeration of interest rate volatility to the destabilisation of the banking system through the uncontrolled losses some players are claimed to have suffered.

Mr Edouard Balladur, the Finance Minister, has even set up a committee to study the functioning of Paris's futures and options markets.

The charges are deeply resented by the Matif's governing body, the Chambre de Compensation des Instruments Financiers de Paris (CCIFP).

Mr Gerard de la Martiniere, CCIFP chairman, said: "Confronted by a crisis without precedent, the Matif behaved remarkably: there was no breakdown in the functioning of the market, no defaults, and the safety mechanisms (price movement limits, suspensions of trading, margin calls) worked without hiccoughs, even at the height of the crisis."

The Matif has been a victim of its image as the vanguard of the modernisation of France's financial markets. Its participants have often been disparaged as the wideboys of the Paris financial scene, resented for their pay scales outside the rigid salary structures of the French banking industry.

And not only are financial futures new to Paris, they have also proved hard to understand, even for some bankers and corporate treasurers.

A number of major banks have turned to management consultants for help in creating systems to control their exposure to interest rate and exchange rate risks, including those stemming from their financial futures operations.

For some, and not just the banks, it is already too late. Cogema, the state-owned nuclear fuels company, announced on Friday that it had lost FFr250m ($45.2m) on the Matif and on associated options dealing and had withdrawn from the market. Even with this blow, Cogema has still made gross financial profits of FFr1bn in the last two years.

An inquiry has been launched, but the company is far from clear what went wrong. One thing Cogema is sure of is that the losses stem from the second half of 1986 and the first three months of 1987, not from the turbulence which began for the Matif in July and peaked in October.

Others have also announced losses on the Matif, including a regional bank from the south-west of France, since merged with a sister bank, and the stockbroker Ferri-Ferri-Germe, which has announced that it will be taken over by the Credit Foncier bank. Ferri's difficulties came less from the futures market itself than from its activity as a market maker in over the counter options on the Matif's main long bond future contract.

The Matif has so far avoided any defaults – despite margin calls that totalled FFr3.4bn on October 20 – and recorded only modest overall losses.

Between October 15 and 20, when the market three times reached limit down and four times limit up – the bounds at which trading has to be temporarily suspended – the largest loss recorded by a single institution was FFr170m and the largest profit FFr107m.

But 89 per cent of the Matif's members had a profit or loss of less than FFr10m, and around 45 per cent remained more or less at breakeven over the period.

In fact, says Mr de la Martiniere, the Matif kept the cash bond market afloat during the crisis by maintaining an enviable degree of liquidity.

He says that the Matif long bond contract was eight times as liquid in October as the underlying government bond on which it is based, after being around four to five times as liquid in the first half of the year.

Despite price movements as sharp as 7.5 per cent and turnover reaching 150,000 contracts in a day, compared with an average volume of 27,000 contracts a day in the first half of 1987, the market continued to trade and to settle its trades.

The Matif's supervisors have, nevertheless, taken measures to increase their control over the market. As early as September they introduced limits on market operators' open positions, linked to their capital resources, and plan to extend these controls to client positions. Normal margin payments have also been increased from 4 per cent to 5 per cent.

They have also, however, taken steps to allow the development early in 1988 of "locals," individual floor dealers operating on their own account, as in the US futures markets, who they believe will increase the market's liquidity.

Finally, new contracts are planned to avoid the concentration of speculative forces on a single pit. Besides official traded options to replace the over-the-counter market on the current long bond contract, the Matif plans a new interest rate product possibly based on the Paris interbank offered rate and a move into exchange rate futures with a European currency unit contract.

George Graham

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Ferari III Ltd.(a)‡♦	300	1994	6	12½bp	100	Banque Paribas	-
D-MARKS							
Thomson-Brandt Int.♦	150	1994	6	6⅛	100¾	Banque Paribas	5.973
Norwegian M'gage Assoc.♦	75	1993	5	5¼	100	WestLB	5.250
SWISS FRANCS							
Hovedstads Reg.Naturgas♦	50	1993	-	4½	100¼	Kredietbank (Suisse)	4.443
Occidental Petroleum♦	100	1992	-	5¾	100	SBC	5.750
Ansett Transport Ind.★★♦	50	1995	-	5⅜	100½	Handelsbank N'West	5.288
Shell Australia★★♦	100	1993	-	4½	100½	UBS	4.386
Copenhagen County Auth.♦	47.5	1992	-	4⅜	100	Warburg Soditic	4.375
DANISH KRONER							
Swedbank (b)♦	420	1990	3	-45bp	100.15	Den Danske Bank	-
LUXEMBOURG FRANCS							
Enso-Gutzeit★★♦	300	1993	5	7⅝	100	Credit Europeen	7.625
Societe Generale★★♦	300	1993	5	7½	100¼	Sogenal	7.438
Svenska H'banken★★♦	300	1993	5	7½	100¼	BIL	7.438
Holmens Bruk★★♦	300	1993	5	8	100½	Kredietbank Int.	7.875
YEN							
Trinidad & Tobago★★♦	7.5bn	1994	6.4	6.7	100	Yamaichi Secs.	6.812
AUSTRALIAN DOLLARS							
Fuji Bk & Trust Co.(c)♦	50	1993	5	13½	101⅞	Fuji Int. Finance	12.967

★Not yet priced. ★★Private placement. ♦Final terms. ‡Floating rate note. (a) 12½bp over 3m Libor. (b) 45bp under 3m DKr Luxembourg offered rate. (c) Targeted mainly to Far East investors. Note: Yields are calculated on AIBD basis.

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %

Capel severs Rivkin link

By Our Financial Staff

A CULTURE clash has led James Capel, the London-based stockbroker, to sever its ties with Mr Rene Rivkin, the colourful Australian financial dealmaker.

Capel has bought out Mr Rivkin's stake in Rivkin James Capel, a jointly-owned Sydney-based institutional stockbroking venture, said Mr Peter Quinnen, James Capel's chairman, in London yesterday.

"His approach and style - which was flamboyant in the extreme - was not really right for us.

James Capel has built itself an international reputation as a leading institutional agency broker backed by strong fundamental research.

It inherited the connection with Mr Rivkin when James Capel was bought before London's Big Bang by Hongkong and Shanghai Banking Corporation, Mr Quinnen said. Prior to that, Mr Rivkin had been involved in a joint venture with Wardley Australia, part of Hongkong Bank's investment banking arm.

Besides its Sydney base, Rivkin James Capel also has a participation in four regional Australian broking firms, Mr Quinnen said.

UCB sees maintained profits for 1987

BY TIM DICKSON IN BRUSSELS

UCB, the Belgian pharmaceutical, chemicals and films group, has announced that it will "achieve good profits in 1987, in line with those of 1986," when the after-tax result was BFr1.3bn ($38.1m).

The company did not disclose further details but indicated that it had "developed well" in all its three business sectors.

Pharmaceutical sales had increased with Nootropil, a growth product in the majority of countries, while Zyrtec, the new anti-allergic medical product, has just been launched in the Belgian market.

Chemical sales had also "increased slightly," due to strong growth in specialty chemicals, while in the film sector turnover continued "to grow at the significant rate achieved in the first half of the year," helped by the consolidation of Cellophane Espanola, the Spanish producer of cellulose and plastic films.

UCB drew attention to the size of its investment and research programe, which analysts say has held back the company's profits performance recently but which should pay off in the form of stronger growth in future years.

●Cimenteries CBR, Belgium's biggest cement maker, has bought the 18 per cent which it does not own of the former Genstar cement and construction materials subsidiaries in Canada and the US.

Varian seeks cost cuts

BY LOUISE KEHOE IN SAN FRANCISCO

VARIAN ASSOCIATES, one of Silicon Valley's oldest high technology companies, is embarking on a cost reduction effort which includes a $35m first-quarter write-off and the loss of 350 jobs over the next 12 months.

Varian is under pressure to improve its financial performance following heavy losses in its semiconductor production equipment division. Most of the charge against earnings was attributed to the scrapping of a wafer etching system product line that Varian acquired in 1986. In addition, the company said it would consolidate chip-making equipment operations and sell or close underused facilities.

The cuts are expected to produce annual savings of well over $10m, the company added.

Analysts said that Varian was forced to take drastic action or risk becoming a takeover target. The company is a major supplier of electronic instruments and a leader in chemical vapour deposition equipment for the semiconductor industry.

The cuts follow the appointment a week ago of Mr Norman Pond to the posts of president and chief operating officer and the resignation of Mr Larry Hansen, former president of the semiconductor equipment division and a 20-year veteran at Varian.

Changes to World Index

AT THE quarter-end review of the FT-Actuaries World Index it was decided to include the following constituents with effect from January 1:

North Kalgurli Mines, Newmont Australia, Lend Lease, AFP Investments, Northern Star, and Poseidon (all Australia); OEMV (Austria); Societe Generale (France); Telemex 88A and Telemex 88B (Mexico); Petrocorp, Robert Jones Investments, Equiticorp, Independent Newspapers, and Capital Markets (all New Zealand); Mercantile Stores, Trinova, West Point Pepperell, Cummins Engine, Omnicom Group, Cypress Semiconductor, TWA, Foster Wheeler, Lucky Stores, United Cable TV, and Southdown (all US).

Deletions: Aachener & Munchener Versiecherung (West Germany) and Fernz (New Zealand).

Classification changes to existing constituents: Aker-Norcem (Norway) to Heavy Engineering and Shipbuilding; Norsk Hydro (Norway) to Energy Resources; Carnegie A (Sweden) to Financial Institutions and Services; PLM Series A free (Sweden) to Fabricated Metal Products; Sandvik Series B free (Sweden) to Machinery and Engineering; Esselte Series B free (Sweden) to Fabricated Metal Products; MAI (UK) to Media; McCarthy & Stone (UK) to Construction/Building Materials; Johnson Matthey (UK) to Precious Metals & Minerals; and Cookson (UK) to Chemicals.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987 High	1987 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§55	F.P.	-	61	55	‡Allied Restaurants 5p	61		L1.1	4.6	2.5	12.0
330	120	-	92	71	British Petroleum	70½		N12.5	1.5	6.1	13.9
-	F.P.	-	3	2	EFM Dragon Tst. Wrrnts.	3	+½	-	-	-	-
†	F.P.	-	268	231	English & Caledonian Inv.	231		-	-	-	-
350	F.P.	-	284	243	Eurotunnel Units	243	-2	-	-	-	-
-	F.P.	-	13	10	Do Warrants	14½		-	-	-	-
†	F.P.	-	125	83	Hard Rock A (R-Vtg) 2p	83		L1.53	3.3	2.5	14.8
60	F.P.	-	77	66	How Group 10p	77	+6	R2.2	3.1	3.9	11.2
85	F.P.	-	100	93	Intl. Colour	98	-2	L1.0	7.4	1.4	13.2
§75	F.P.	-	78	75	Nestor-BNA 10p	78		R1.85	2.5	3.2	16.9
§80	F.P.	-	101	88	Paragon Comms. 5p	88		R2.5	3.4	3.9	10.2
§18	F.P.	-	21	19	‡Pathfinders Grp. 5p	20		b0.29	3.9	2.0	17.5
§100	F.P.	-	106	103	‡Shorco Grp.	104		-	-	4.8	10.5
17	F.P.	-	25	18	*Staks Hldgs.	24		-	-	2.0	61.3
§114	F.P.	-	121	115	‡Sykes-Pickavant 10p	118		R5.25	2.0	6.1	11.1
§70	F.P.	-	73	66	‡Trevian Hldgs. 10p	68	+2	R2.0	4.6	4.0	7.3

FIXED INTEREST STOCKS

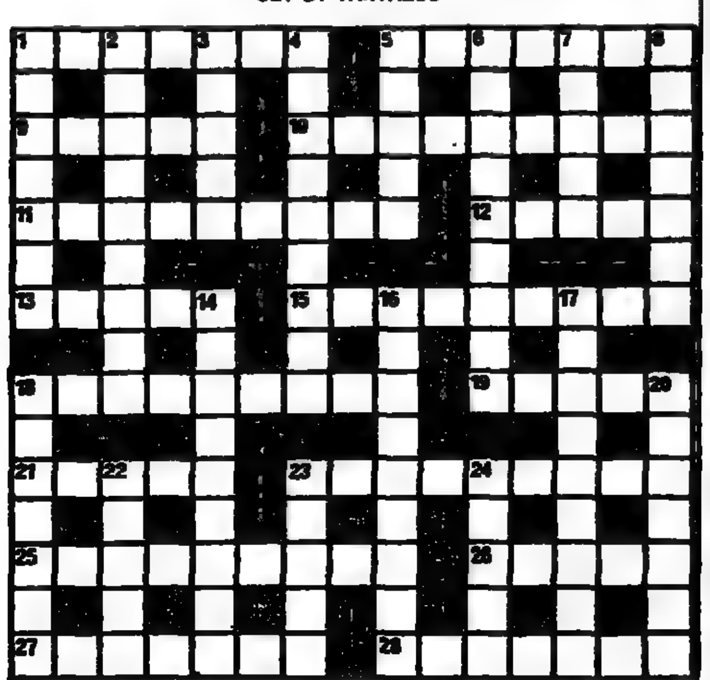
Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
-	-	-	99½	90½	Ansbacher(H.)9pc.Cnv.Sub.Ln.1998	97½	
§91.54	£50	-	49⅝	49⅝	Brit.&Comm.10½pc.Un.Ln.2012	49½	
100	F.P.	-	48	43	Housing Fin.5pc.Deb.2027	45⅝	
100	F.P.	-	750	700	Do. Zero Deb.2012	735	
-	F.P.	-	101⅜	99⅞	N'wide Anglia 10⅛pc 12.9.88	100⅜	-⅛
-	F.P.	-	101⅛	99¼	Do. 10⅝pc 26.9.88	100⅝	-⅛
-	F.P.	-	101⅛	100⅛	Do. 10⅛pc 31.10.88	100¼	-⅛
-	F.P.	-	100⅛	99⅜	Do. 9¼pc 28.11.88	99½	-⅛
100p	F.P.	-	115p	100p	‡Willaire Fixed Rate Cnv.Cum.Red.Pfr.	111p	-2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
300	Nil	-	52pm	19pm	‡Applied Holographics 5p	29pm	+7
27.5	Nil	-	3½pm	3pm	‡Bio-Isotopes (Hldgs.)	3½pm	+½
5	Nil	-	13pm	11pm	‡Biomechanics Intl.	11pm	-1
4	Nil	-	4½pm	¾pm	City & Foreign	¾pm	
25	Nil	-	48pm	26pm	ERA Grp. 5p	33pm	
20	Nil	-	1¾pm	1¾pm	North Sea Assets B 5p	1¾pm	

Renunciation date usually last day for dealing free of stamp duty.a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield .L Estimated annualised dividend,cover and p/e based on latest annual earnings.N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures.Z Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided. ∇ Issued by tender.‡ Offered to holders of ordinary shares as a rights.† Introduction.§Placing price.†† Reintroduction.¶ Issued in connection with reorganisation merger or takeover.‡ Allotment price.‡ Unlisted securities market.‡ Official London listing.□ Including warrants entitlement.* Third Market.

FT CROSSWORD No.6,513
SET BY TANTALUS



ACROSS
1 and 5 Isn't there lilac that's mistaken for another plant? (7,7)
9 Sherpa gangster holds heathen (5)
10 Disturbed terrapins exhale (9)
11 Minor streets in Norfolk and Suffolk? (3,6)
12 Dean entertains student by the fire (5)
13 Large number going to America to view waterlily (5)
15 Intrude with member perhaps – that's rash (9)
18 Lenient at home with dim sounding chap (9)
19 Supply leaders of expedition now digging up earth (5)
21 Dickens' artful character not right to evade (5)
23 Important couple seen on board (9)
25 To find singer, Queen follows wild ostrich (9)
26 1st August - proceed with artist to market place (5)
27 Place girl with non-U husband (7)
28 Roman sea some might say (7)

DOWN
1 Canberra for example is superb (7)
2 Rude in speech (9)
3 Being near bull, evil doer is decapitated (5)
4 Play gets a longer run through this (5,4)
5 Luggage comprises percussion instruments (5)
6 Set up academy (9)
7 Traveller's first call in Hertfordshire (5)
8 First mate gets break on mount (7)
14 Rifle soon used in Italian battle (9)
16 Part with chair maybe for head of family (9)
17 Attempt to locate survey ship (9)
18 Persuaded Indiana to take in Mussolini (7)
20 Mere lad ordered precious gem (7)
22 Waste day with Lawrence (5)
23 Time may be about right for a joint (5)
24 Gunner in lunatic asylum does show intellect (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 2.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth 0345 717373				
[illegible]				

CCL Unit Trusts Limited
74, Shepherds Bush Green, Ldn, W12 8SD 01-749 7070
[illegible]

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148
[illegible]

Canada Life Unit Trust Mngrs. Ltd
2-6 High St, Potters Bar, Herts 0707 51122
[illegible]

Cannon Fund Managers Ltd
1 Olympic Way, Wembley, HA9 0NB
[illegible]

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
6 Crosby Sq, London EC3A 6AQ 01-588 6903/4/5

Scimitar Global Gth Ac	27.1	28.9	+0.2	—
Do. Income	27.0	28.8	+0.2	0.39
Scimitar European Acc	20.3	21.7	+0.1	—
Do. Income	20.3	21.7	+0.1	0.11
Scimitar UK Eq Inc Acc	31.0	34.8	+0.6	—
Do. Income	31.8	33.5	+0.6	5.66
UK Cap Gth Acc	21.3	22.5	+0.3	0.75
Scimitar Pac Basin Acc	25.8	27.5	—	—
Scimitar Mangd Exempt*	130.8	136.3	+4.3	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intal Income Units	118.5	126.1	—	3.04
Intal Accum Units	181.3	192.9	—	3.04
UK General Acc	34.9	37.3	-0.5	3.11
UK General Inc	33.6	35.9	-0.4	3.11
American	25.5	27.3	-0.4	0.64
European	33.8	36.2xd	+0.1	0.94
Japan	51.5	55.1xd	-0.1	—
Technology	32.5	34.8	-0.1	1.42
Performance Trusts				
Far East Perf Tst	14.8	15.9	+0.1	0.64
High Inc Perf Tst Inc	22.3	23.8xd	-0.1	4.37
High Inc Perf Tst Acc	22.6	24.2xd	-0.2	5.37
Worldwide Tech Perf Tst	25.4	27.2	+0.1	—

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	192.6	206.0	-1.6	2.99
Columbus (America)	115.3	123.4	-1.5	1.47
Marco Polo (Pacific)	189.4	200.5	+0.2	0.41
Da Vinci (European)	204.7	219.0	+0.9	1.89
Drake	47.7	51.1	—	3.09

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	184.9	196.8	-1.2	3.32
UK Smllr. Cos. Equity	185.5	197.4	-0.4	2.52
UK Special Situations	51.7	55.0	-0.4	3.48
Income Plus	48.6	51.8	-0.2	6.35
European	154.5	164.2	+0.1	1.88
Far Eastern	45.8	48.8	-0.2	3.74
Japanese †	48.5	51.6	+0.2	0.29
North American	105.5	112.3	-1.7	1.87
International Growth	102.1	108.7	+0.5	1.83
Worldwide Venture	49.6	52.8	-0.1	2.48

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Dec 1 87	175.8	185.1	—	3.71

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	127.2	136.8	-1.9	2.79

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 5399

Convertible & Gilt	57.3	60.8	-0.2	6.72
Accum Units	57.3	60.8	-0.2	6.72
Income	75.0	79.5	—	5.45
Accum Units	75.0	79.5	—	5.45
Smaller Co's	79.4	84.2	-0.3	1.74
Accum Units	79.4	84.2	-0.3	1.74
UK Growth	82.3	87.3	-0.6	1.55
Accum Units	82.3	87.3	-0.6	1.55

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	49.2	52.4	-0.6	1.43
Technical Analysis Fd	47.2	50.2	-0.6	1.99

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	155.0	164.9xd	—	1.94
Friars Hse Inc Fd	138.1	145.3xd	—	3.60

United Charities Unit Trusts (a)(c)(z)
Unicorn Hse, 252 Romford Rd, EC 01-534 5544

United Charities	153.6	163.4	-0.7	4.69

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2460

Abingdon Rein Assets	147.8	157.2	+2.7	2.79
(Accum Units)	150.6	160.2	+2.8	—
Far East & Gen	48.2	51.3	+0.1	0.34
(Accum Units)	48.2	51.3	+0.1	—
Master Portfolio	63.199	64.829	+0.682	2.96
(Accum Units)	64.672	66.330	+0.697	—
American & Gen	50.7	53.9	+0.6	2.09
(Accum Units)	51.4	54.7	+0.5	—
Growth	200.7	213.5	+3.8	2.58
(Accum Units)	301.0	320.2	+5.7	—
High Yield	250.1	266.1	+4.5	4.72

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	354.4	373.2	—	—
Eb'r Ph. Eq.	304.1	323.2	—	—
Pension Plus Funds				
Phoenix				
UK Equity Acc.	151.6	159.5	-1.6	—
International Acc.	114.0	119.9	-1.5	—
Property Acc.	120.3	126.6	—	—
Fixed Interest Acc.	145.4	153.0	-0.8	—
Money Acc.	133.5	140.5	—	—
Bldg. Soc. Link Acc.	131.3	138.2	—	—
Special Mngd. Acc.0	135.0	142.1	-1.3	—
Phoenix/Framlington				
Intnl Growth Acc.	76.0	80.0	+1.1	—
Amer & Gen Acc.	69.3	72.9	+1.0	—
Capital Tst. Acc.	160.4	168.8	+1.7	—
Japan & Gen Acc.	157.4	165.6	+1.1	—
American Turn. Acc.	68.4	72.0	+1.2	—
Recovery Tst. Acc.	148.6	156.4	+2.4	—
Special Mngd Acc.	127.6	134.2	+1.4	—
Phoenix/GT				
International Acc.	111.9	117.7	+1.8	—
US & General Acc.	83.3	87.6	+2.3	—
Amer Spec Sits Acc.	58.1	61.1	+1.6	—
Japan & General Acc.	153.6	161.6	-0.1	—
Far East & Gen. Acc.	126.0	132.6	-0.7	—
UK Capital Acc.	154.1	162.2	+2.1	—
European Acc.	123.9	130.4	+2.8	—
Special Mngd. Acc.	115.0	121.0	+1.4	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	254.5	267.9	—	—
Man Pens Inc & Cap Fds	323.1	340.2	—	—
Money Fund	110.4	116.3	—	—
Pens. Mngd Fd (Ini)	79.7	83.9	—	—
Pens Mngd Fd (Acc)	88.5	93.2	—	—
Pens FT30 Fd (Ini)	120.0	126.4	—	—
Pens FT30 Fd (Acc)	133.2	140.3	—	—
Pens O'seas MgFd(Ini)	46.6	49.1	—	—
Pens O'seas MgFd(Acc)	51.8	54.6	—	—
Pens Fxd Int Fd (Ini)	104.4	109.9	—	—
Pens Fxd Int Fd (Acc)	115.9	[illegible]	—	—

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
26 Jul 26 Jan	Treas 7¾pc 1985–88‡‡	99⅞	19.6	7.76	8.75
10Nov 10May	Exch 10½pc '88	100⅝	5.10	10.44	8.76
14Dec 14Jun	Treas 9½pc Cv '88	100¾	9.11	9.72	8.96
1Jan 1Jul	Transport 3pc '78–88	97⅞xd	1.11	3.07	7.19
25 Apr 25 Oct	Treas. 9½pc '88	100½	18.9	9.47	9.05
22 Aug 22 Feb	Treas 11½pc 1989	102¾	16.7	11.23	9.20
18 Oct 18 Apr	Treas 9½pc Cnv 1989	100¾	11.9	9.46	9.14
15Nov 15May	Treas 3pc 1989	95¼	9.10	3.15	6.71
14Dec 14Jun	Treas 10½pc 1989	101⅝	9.11	10.34	9.31
1Feb 1Aug	Exch 10pc 1989	100¾	25.6	9.91	9.35
29 Mar 29 Sep	Exch 11pc 1989	102¾	24.8	10.72	9.33
15 Apr 15 Oct	Treas 5pc 1986–89	95¼	8.9	5.26	7.91
15 May 15 Nov	Exch 10¼pcCv '89	102¾	9.10	9.99	8.74
15 Jul 15 Jan	Treas 13pc 1990‡‡	106¾xd	8.6	12.17	9.30
12 Aug 12 Feb	Exch 11pc 1990‡‡	103¼	16.7	10.66	9.36
22 Sep 22 Mar	Exch. 12½pc 1990	106¼	17.8	11.77	9.36
8 Nov 8 May	Treas. 3pc 1990	91¼	2.10	3.30	9.27
15 Dec 15 Jun	Treas 8¼pc 1987–90‡‡	98¾	9.11	8.37	8.87
16Jly 16Jan	Tr. 8pc Cv 1990 (30pd)	50½	–	8.16	8.90
25 Apr 25 Oct	Treas. 10pcCv 1990	101¾	18.9	9.85	9.35
22 May 22 Nov	Exch 2½pc 1990	88¾	16.10	2.82	6.88
10 July 10 Jan	Treas 11¾pc 1991	106¼xd	3.6	11.05	9.30
5Oct 5Apr	Funding 5¾pc '87–91‡‡	92⅞	1.9	6.19	8.26
13 Nov 13 May	Treas. 3pc 1991	87¾	7.10	3.43	7.24
12Jan 12July	Treas 10pc Cv '91 ‡‡	102¾xd	5.6	9.71	9.00
25Apr 25Oct	Exch. 11pc 1991	105¼	18.9	10.44	9.28
10Jan 10Dec	Treas. 8pc 1991	95½	3.11	8.34	9.26
22Jly 22Jan	Treas 12¾pc 1992‡‡	111¼xd	15.6	11.45	9.34
21Aug 21Feb	Treas 10pc 1992	102⅛	15.7	9.79	9.33
13Oct 13Apr	Treas. 8pc 1992 ‡‡	95¾	11.6	8.36	9.22
7 Nov 7 May	Treas 10½pc Cv 1992‡‡	103¾	1.9	10.10	9.36
11Dec 11Jun	Treas. 3pc 1992	83¼	4.11	3.58	7.28
25 Feb 25 Aug	Exch. 12¼pc '92	110⅛	20.7	11.11	9.47
22Mar 22Sep	Exch 13½pc 1992	114⅞	17.8	11.75	9.50

Five to Fifteen Years

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
15Oct 15Apr	Treas 10pc 1993‡‡	102⅛	8.9	9.79	9.46
14Jan 14Jul	Treas 12½pc 1993‡‡	112¾xd	8.6	11.12	9.58
15Mar 15Sep	Funding 6pc 1993‡‡	90½	10.8	6.63	8.09
23May 23Nov	Treas 13¼pc 1993‡‡	118¼	16.4	11.63	9.62
1 Sept 1 Mar	Treas 14½pc 1994‡‡	122¾	27.7	11.85	9.61
27Oct 27Apr	Exch 13½pc 1994	117¼	21.10	11.51	9.76
9Dec 9Jun	Treas. 10pc Ln. 1994‡‡	101¾	2.11	9.82	9.61
22Feb 22Aug	Exch. 12½pc 1994	112¾	16.7	11.08	9.81
17May 17Nov	Treas 9pc 1994‡‡	97¼	12.10	9.25	9.54
25Jul 25Jan	Treas 12pc 1995	110¾	18.6	10.85	9.86
1Nov 1May	Exch 3pc Gas 90–95	80	25.9	3.75	6.45
21Jan 21Jul	Exch. 10¼pc 1995	102¼xd	15.6	10.00	9.78
15May 15Nov	Treas 12¾pc 1995‡‡	115¾	9.10	11.02	9.83

BRITISH FUNDS – Contd

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
12Jun 12Dec	Exch. 12pc '13–'17	123¼	5.11	9.72	9.55

Undated

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
1Feb 1Aug	Consols 4pc	42¼	25.6	9.63	
1Jun 1Dec	War Loan 3½pc‡‡	37¾	26.10	9.31	
1Apr 1Oct	Conv. 3½pc '61 Aft	49¼	25.8	7.15	
5Apr 5Oct	Treas. 3pc '66 Aft	31¼	1.9	9.66	
5Ja Ap Jy Oc	Consols 2½pc	26¼xd	1.6	9.56	
1Apr 1Oct	Treas. 2½pc	26¼	25.8	9.48	

Index–Linked

Interest Due	Stock	Price £	Last xd	(1)	(2)
30 Sep 30 Mar	Treas. 2pc '88(297.1)	133¼	24.8	[illegible]	[illegible]
25 Jul 25 Jan	Do. 2pc '90(333.9)	117	18.6	[illegible]	[illegible]
23Sep 23Mar	Do. 2pc '92‡‡ (385.8)	99	17.8	[illegible]	[illegible]
16Mar 16Sep	Do. 2pc '96(267.9)	128¾	10.8	[illegible]	[illegible]
24Mar 24Sep	Do 2½pc '01 (308.8)	108¼	18.8	[illegible]	[illegible]
20Nov 20May	Do. 2½pc '03(310.7)	105¾	14.10	[illegible]	[illegible]
19Jan 19Jly	Do. 2pc '06(274.1)	107¼xd	12.6	[illegible]	[illegible]
20Nov 20May	Do. 2½pc '09(310.7)	100¾	14.10	[illegible]	[illegible]
23Feb 23Aug	Do. 2½pc '11(294.1)	104¾	17.7	[illegible]	[illegible]
16Feb 16Aug	Do. 2½pc '13(351.9)	86⅝	13.7	[illegible]	[illegible]
26Jan 26Jly	Do. 2½pc '16(322.0)	93¾	19.6	[illegible]	[illegible]
16Oct 16Apr	Do. 2½pc '20 (327.3)	92¼	9.9	[illegible]	[illegible]
17Jan 17July	Do. 2½pc '24 ‡‡(385.3)	77¾xd	10.6	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, ie 8 months prior to issue. RPI for April 1987:101.8 and for November 1987: 103.4 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
4 Jan 4 Jun	African Dv Bk 11¼Ln 2010	103¾	4.6	[illegible]	
24Mar 24Sep	Asian Dev Bk 10¼pcLn2009	97¼	26.8	[illegible]	
28Jan 28Jly	Australia 13½pc 2010	122¼	29.6	[illegible]	
26Apr 26Oct	Do. 11¾pcLn2015	104¾	24.8	[illegible]	
23Mar 23Sep	Euro Inv Bk 11pc Ln 2002	104¾	24.8	[illegible]	
22Mar 22Nov	Do. 10¼pc2004	99¾xd	16.10	[illegible]	
8Jan 8Jul	Int–Am Dev Bk 12½pc 2003	114¼	22.10	[illegible]	
15 May 15 Nov	Do. 9¾pcLn 2015	92¼	14.10	[illegible]	
31 Jan 31 Jul	Malaysia 10¾pcLn 2009	86¾	1.7	[illegible]	
4May 4Nov	NZ 11½pc 2008	103¼	5.10	[illegible]	
25May 25Sep	Do 11¾pc 2014	105¾	26.8	[illegible]	
22 Jan 22 July	Sweden 13½pc Ln 2010	122¾	22.6	[illegible]	
1Mar 1Sep	Utd. Mexican States 16½pc 2008	95¼	3.8	[illegible]	

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Jan Apr Jly O	Rep NY Corpn $5	21¾xd	10.12	$1.16	—	2.9
Mr Jn Se De	Rockwell Intl. $1	9¾	9.11	66c	—	3.7
Oc Ja Ap Jly	Sara Lee $1(1/3)	19xd	13.00	$1.00	—	2.9
Mr Ju Se De	Saul (B. F.) $1	9¼	10.9	20c	—	1.2
Fb My Ag No	Southwestern Bell $1	18⅝	7.7	†$2.32	—	6.8
—	Staley Continental	10⅞	—	80c	—	4.0
Mr Jn Se De	Sun Co. Inc. $1	26½	05.10	$3.00	—	6.1
Ma Ju Se De	TRW Inc. $0.625	25⅝xd	11.8	†$1.60	—	3.4
Mr Jn Sp Dc	Tenneco $5	22½xd	11.8	$3.04	—	7.4
June Dec	Do. 10pcLn.Stk. 91-5	155xd	13.00	10%	—	†4.7
Mr Je Se De	Texaco $6.25	19½xd	31.7	$3.00	—	8.4
Mr Ju Se De	Time Inc. $1	43xd	22.8	$1.00	—	1.3
Ja Ap Jy Oc	Tracor $0.33(1/3)	17½xd	16.9	40c	—	1.3
Ja Ap Ju Oc	Transamerica $1	15xd	30.08	$1.84	—	6.7
Fe My Au No	Transworld Corp $5	810p	11.11	20c	—	1.4
Mc Je Se De	TRINOVA Corp	17½	9.11	56c	—	1.8
Mr Je Se De	♥USX $1	15⅝	30.10	$1.20	—	4.2
Mr Jn Sp Dc	Utd. Technologies	18¾xd	19.5	$1.40	—	4.2
Fb My Ag No	US West‖	28	13.4	$3.28	—	6.4
—	Waste Management $1	19½xd	15.12	—	—	—
—	Whirlpool $1.0	12¾	—	—	—	—
Mr Je Se De	♥Woolworth $3½	18⅛	19.11	$1.32	—	4.0

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	ABM Gold Corp ‖	308p	—	—	—	—
—	♥Abbot Energy Corp	16½p	—	—	—	—
—	♥Amer. Barrick Res	11⅞	—	—	—	—
—	American Lightwave	71¼p	—	—	—	—
—	♥Armeno	41½p	—	—	—	—
—	Augmitto Explo	51p	—	—	—	—
Fb My Ag Nv	Bk. Montreal ‖	11⅛xd	9.11	$2.00	—	7.5
Ja Ap Jn Oc	Bk. Nova Scot.‖	526p	23.9	72c	—	5.7
Ap Jy Oc Ja	BCE ‖	15⅛	10.9	$2.40	—	6.6
May Nov.	♥Bow Valley‖	563p	15.12	†40c	—	3.0
Ja Ap Jy Oc	♥Brascan‖	10⅞	28.10	88c	—	3.4
—	♥Breakwater Res	206p	—	10c	—	2.0
—	Campeau Corp ‖	758p	—	—	—	—
Fe My Au No	Can.Imp.Bk. $2	834pxd	29.9	$1.08	—	5.4
July Jan.	Can. Pacific ‖	876p	29.6	60c	—	2.9
July Jan	Do. 4pc Deb £100	41½xd	10.11	4%	—	9.6
—	Central Capital "A" ‖	412p	—	—	—	—
—	Danbus Res	66p	—	—	—	—
Mr Jn Se De	Derlan Inds	460p	3.6	11.75c	—	1.1
Ja.Sp.Dec.Mar	♥Echo Bay Mines	12½	—	20c	—	0.7
—	Energex Minerals	31p	—	—	—	—
—	Euro-Asia Capital Ltd	88p	—	—	—	—
—	♥Galactic Resources	295p	—	—	—	—
—	Global Data Systems	22½p	—	—	—	—
—	Granges Explo‖	403p	—	—	—	—
—	♥Gt Pacific Res	8½p	—	—	—	—
Ja Ap Jy Oc	♥Gulf Canada‖	652p	26.3	52c	—	3.3
Ap Jy Oc Ja	♥Hawker Sid Can‖	876p	15.11	96c	—	4.6
—	Hemlys Group	353p	—	—	—	—
Mr Jn Sp Dc	♥Hudson's Bay ‖	777p	02.09	60c	—	3.2
Mr Je Se De	♥Imperial Oil‖	21½	26.11	$1.60	—	3.1
Jan.Ag.J.O.	Inco‖	10¾	4.8	US$0.20	—	1.0
—	♥Intl. Corona Res	36	—	—	—	—
Fe My Au No	♥Inland Nat. Gas $1	417p	30.12	60c	—	6.0
—	♥Lacana Mining Corp ‖	560p	—	Q15c	—	1.1
—	Madeleine Mines	214p	—	—	—	—
—	♥Muscocho Expln	154p	—	—	—	—
—	♥Ntnl Business Syst.‖	500p	—	—	—	—
—	♥Nevada Goldfields	204p	—	—	—	—
June Dec	♥Rio Algom	790p	5.11	$1.30	—	6.9
Mr Je Se De	Royal Bk. Can. ‖	13¾	21.09	$2.08	—	7.4
—	♥Royex Gold Mining ‖	334p	—	—	—	—
Se De Mr Ju	Seagram‖	30⅝	14.2	US$1.00	—	1.8
—	♥Sonora Gold Corp‖	375p	—	—	—	—
—	Spiral Eng	23½p	—	—	—	—
F My Au No	Toronto-Dom. Bk.‖	12xd	21.09	84c	—	2.9
—	♥Trans Atlantic Res ‖	33½p	—	—	—	—
Ja Ap Jy Oc	♥Trans Can Pipe	667p	1.12	$1.12	—	7.0
—	Varity Corp‖	230p	11.77	8-	—	—

BANKS, HP & LEASING

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Feb July	ANZ SA1	137	26.5	Q21c	♦	6.2	♦
Dec July	Allied Irish	280	23.11	†Q61.6%	2.8	7.1	7.0
Aug May	Algemene Fl.10	£101¾	18.8	Q2.7%	2.1	7.5	6.3
June Dec	Anglo Irish	50xd	7.12	Q19.1%	♦	6.7	♦
April	Ansbacher (H.) 1p	72	23.3	N2.0	—	3.8	—
Dec June	Banco de Bilbao S.A.	£20½	9.12	†Q38%	3.0	2.9	11.4
March Sept	Banco de Santander	£27	30.4	†Q19.15%	2.7	2.0	—
July Dec	Bank Ireland Ir£1	200	23.11	†Q5.1%	2.9	7.0	6.9
—	Bank Leumi	815	—	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES – Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	
Craig & Rose £1	600	+12
Finlay Pkg. 5p	81	−2
Holt (Jos) 25p	£11⅞	

For Iohl Steam see Shipping

IRISH

Fund 11¼% 1988	£100⅞	
Nat. 9¾% 84/89	£99⅝	
Fin. 13% 97/02	£113⅛	
Arnotts	305	+305
CPI Hldgs	53	
Carrol Inds	145	
Dublin Gas	40#	
Hall (R. & H.)	105	
Helton Hldgs	40	
Irish Ropes	158¼	

For Norish see Foods

Unidare	300	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied–Lyons	42
Amstrad	20
BAT	57
BOC Grp	46
BSR	13
BTR	33
Barclays	52
Beecham	52
Blue Circle	44
Boots	28
Bowaters	41
Brit Aerospace	42
Brit. Telecom	28
Burton Ord	32
Cadburys	30
Charter Cons	42
Comm Union	40
Courtaulds	42
FKI Babcock	14
FNFC	31
Gen Accident	105
GEC	22
Glaxo	155
Grand Met	50
GUS 'A'	150
Guardian	110
GKN	36
Hanson Tst	19
Hawker Sidd	55
ICI	145
Jaguar	42
Ladbroke	40
Legal & Gen	33
Lex Service	35
Lloyds Bank	38
Lucas Inds	62
Marks & Spencer	24
Midland Bk	47
Morgan Grenfell	37
NEI	15
Nat West Bk	67
P & O Dfd	65
Plessey	20
Polly Peck	36
Racal Elect	30
RHM	40
Rank Org Ord	45
Reed Intnl	50
STC	29
Sears	18
TI	35
TSB	16
Tesco	22
Thorn EMI	64
Trust Houses	28
T&N	22
Unilever	62
Vickers	22
Wellcome	47
Property	
Brit Land	32
Land Securities	55
MEPC	54
Peachey	47
Oils	
Brit Petroleum	33
Britoil	28
Burmah Oil	52
Charterhall	7
Premier	10
Shell	135
Tricentrol	15
Ultramar	24
Mines	
Cons Gold	125
Lonrho	29
RTZ	48

A selection of Options traded is given on the London Stock Exchange Report Page

UK COMPANY NEWS

Philip Coggan on the qualities of the low profiled Transport Development Group

Bolstered by a good defence

Is Transport Development Group, the distribution company which has traditionally stayed out of the spotlight, set to attract City attention as a defensive stock? Capitalised at over £300m and with profits of nearly £40m last year, it is larger than its low profile would suggest.

"TDG has good defensive qualities - the proportion of its income that comes from the UK is very high and its links with retailers, particularly in food, are strong" says Mr Clive Anderson, a transport analyst at Kitcat & Aitken. "It is one of the safest havens within the transport industry".

The company was floated in the fifties as General Lighterage (Holdings), shortly before Sir James Duncan, the current chairman, joined as an accountant. He witnessed the group's growth as it steadily bought small firms in the road haulage market.

For years, road haulage has conjured up a low tech image. However, distribution is gradually changing from a fragmented industry-in which small family owned fleets of lorries fought to gain short term, one off contracts-into a business where the computer seems to have overtaken the truck as the most important item of hardware.

At the top end of the distribution market, companies now offer what Kitcat descibes as "the planning, development, financing and operation of a wholly integrated service dedicated to the customer". Contracting out distribution has become more popular and third party distributors are rapidly increasing their share of the market.

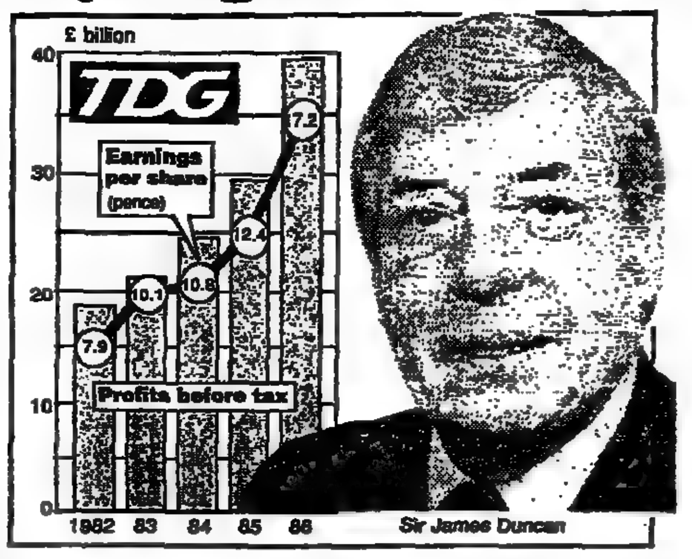
In such a system, a contractor like TDG will plan the stock control system, supply the lorries, the computer equipment and even, in some instances, the warehouses. Clients gain the benefit of the reductions in both capital requirement and management time; the distributors benefit by locking in customers on long term contracts.

Analysts like Mr Anderson believe that the future of distribution companies depends on capturing the top end of the market. The eighties have seen a decline in the importance of "heavy" industries, which require bulk haulage; rates for fleet hire have become fiercely competitive.

TDG has battled to stay on top of the prevailing trends."Many of our businesses changed direction in the early eighties" said Sir James Duncan. "We switched from serving the old sunset industries towards the retail sector".

Over the last twenty years, the company has also moved into non-distribution activities like steel reinforcement and plant hire and it has formed transport networks in overseas countries - mainly the US, Australia, Holland and France. Overseas activities now represent 18 per cent of profits and 44 per cent of turnover.

Overseas profits are likely to be affected by sterling's strength and by any weakness in the world economy. Any UK downturn traditionally hits distribution companies; they are very sensitive to downturn in volumes because of the burden of fixed costs. Profits increase rapidly once the required level of volume is achieved but equally they tend to fall quickly if sales drop back towards that point.



Sir James Duncan

Sir James stresses that the group's management system enables it to react quickly to any change in demand. "We measure the volume weakly and can take action very quickly at the trading companies," Sir James said. "For example, it is easy for us to turn off the tap for ordering lorries".

The structure of TDG is one of the most frequently noted features of the company. There is a plethora of operating units which report to an intermediate tier of holding companies which in turn reports to the board. Marketing is not organised centrally but by the individual operating companies; there is no corporate logo.

Is such a decentralised management structure appropriate for the modern era? The company argues that it enables subsidiaries to react more quickly to customers' needs and employees identify more with a small unit.

However,"the lack of a corporate identity can cause problems for TDG" says Mr Anderson. "It makes it difficult for the company to be recognised by potential clients as a major player for national contracts."

TDG has indulged in a modest amount of centralisation in the eighties - the number of operating subsidiaries in UK road haulage and storage fell from 58 in 1980 to 31 by last year. However, the merging of a group of regional subsidiaries into a new holding company - Harris Reliance - was "an experiment that did not succeed", admits Sir James.

The addition of an extra tier of management ended up reducing rather than increasing profits and the holding company has reverted to the old management system and renamed TDG Northern.

The fact that the experiment was made at all may indicate that TDG is sensitive to criticisms that it has a cautious, old-fashioned management style. "TDG has been less adventurous in exploiting some of the opportunities than some other distribution companies." says Iain Kennedy of Parsons, part of Allied Provincial Securities.

TDG's management might be cautious, but it is generally well regarded. "The management knows the business well" says Mr David Lawman, an analyst at Sheppards, "and its sensible investment policy has shown through in the way that the return on capital has increased. The return grew from 13.5 per cent in 1982 to 19.8 per cent in 1986."

Perhaps the best clue to TDG's prospects in an economic downturn is its performance in 1979-81; although profits did fall sharply in 1981, the haulage division was hardly affected. Instead, the company was hit by problems in its exhibitions business and the effect of a run-down in EEC intervention stocks on the storage division.

So far, the stock market seems to be convinced that TDG will ride out any forthcoming economic problems. Since Black Monday, the company's shares have outperformed the FT Actuaries All-Share by 5 per cent.

Swanyard Studios for Third Market

By David Waller

Swanyard Studios – a holding company which operates two recording studios in North London and provides management services for record producers, sound engineers and others involved in the music business – is coming to the Third Market by way of an offer for subscription.

The company operates two studios close to Highbury Corner in London, N1. These are let out to record companies, artistes and others for up to £1,600 a a day for the basic recording facilities.

The first studio was opened in August 1985.

At the issue price of 3p per share, Swanyard will have a market capitalisation of £4.27m. Some 42.1 per cent of its enlarged equity is being issued, raising a net £1.66m.

Swanyard's trading record goes back to 1984, when it incurred a loss of £33,000. Reflecting investment costs, pre-tax losses increased to £296,000 on £320,000 in 1986, but in the nine months to September 30, the company made a profit of £185,000. It forecasts a £250,000 profit for the full year.

SAS may delay new BCal offer

BY CLAY HARRIS

Scandinavian Airlines System may not raise its partial offer for British Caledonian Group until after Christmas. Expectations that SAS would put a new bid on the table today have receded with the return to Stockholm of Mr Helge Lindberg, the Scandinavian airline's deputy president and chief negotiator.

SAS is still aiming by Wednesday to raise its £110m offer for 26.14 per cent of BCal's shares, part of a complex rescue package which would inject £50m in capital and give BCal an initial 23.5 voting stake.

It does not believe, however, that there is any compelling argument against waiting until the middle of next week. This comes despite indications that Investors in Industry, BCal's largest shareholder, wants an early resolution.

BCal wants SAS to get a new offer on the table as soon as possible to stem the flow of its shares to Lazard Brothers, adviser to the rival £200m takeover bid from British Airways. Lazard has picked up more than 3 per cent of BCal.

With renewed speculation that an SAS deal may face a veto by Mr Paul Channon, Transport Secretary, whatever the Civil Aviation Authority finally decides about BCal's routes, SAS and BCal are now hoping that European Commission officials may challenge sections of the Civil Aviation Act as being in breach of the Treaty of Rome.

Mowat coming to USM

Property company **Mowat Group** is set to join the Unlisted Securities Market via an introduction handled by brokers W.I.Carr and Strauss Turnbull. The group has been formed as a result of the reverse takeover of Peerglow by Wm. Mowat, a Scottish company which dates back to the eighteenth century.

The comined group made pre-tax profits of £454,000 in the year to April on turnover of £5.5m.

Peerglow, developer and project management specialist, took a 23 per cent holding in what was then the ailing Wm. Mowat in June 1985 and Peerglow's co-founder Mr Brian Dunlop became chairman of Wm Mowat. Under Mr Dunlop, Mowat returned to profit.

Forminster ahead

With earnings rising from 11.05p to 14.79p per share in the half year ended October 31, 1987, **Forminster** is lifting its interim dividend from 2.24p to 2.5p.

Interim profit came to £843,000, compared with £698,000, subject to tax of £295,000 (£244,000).

FT Share Service

The following securities have been added to the Share Information Service.

Allied London Properties 5¾% Conv. Cum. Red. Pref. shares (Section: Property). **Egoli Consolidated Mines** (Mines-Central Rand). **Hard Rock International** (Hotels).

Southend Stadium £36m deal

Southend Stadium, the property company, has bought a portfolio of 22 properties from the P & O Group for £36m in cash. The portfolio comprises shops, offices and industrial properties in London and the south.

Three of the London properties are said to have development potential. These are a 36,000 sq.ft. office building in Clifford Street, W1, a 16,000 sq.ft. office building in Cannon Street, EC3, and a 50,000 sq.ft. office/light industrial building in St John Street, EC1.

Kelsey still growing with 33% improvement

MAINTAINED profits in the second half enabled **Kelsey Industries** to record £2.71m pre-tax for the full year ended September 30, 1987.

That was a 33 per cent advance over the £2.04m of the previous year, while turnover was virtually unchanged at £31.69m, against £31.44m.

Principal activities of the group are the manufacture of solder, Bib audio and video accessories and engineering, industrial roofing and insulation contracting. Most companies within the group performed well.

Earnings for the year moved up from 33.2p to 50.9p, and the dividend is raised from 8.75p to 10p, the final being 6.875p.

Looking ahead, the directors said they expected all businesses and divisions to progress in expanding activities and improving upon their performances of last year.

Wheway rights

Wheway is making a £7.56m rights issue to shareholders. This corrects an error in Friday's paper.

Hoskyns makes acquisition

Hoskyns, the computer services company has bought a training-software company in its second acquisition since it joined the market last December. Hoskyns is buying Computer-Based Training, a Dublin company for a maximum of £5m spread over four years, payable largely in shares.

Computer-Based Training incurred losses of I£585,000 on I£962,000 turnover in the 22 months to November. But in the last three months of that period, it made a pre-tax profit of I£59,000 on turnover of £308,000.

BOARD MEETINGS

TODAY

Interims- Bellways, Buckleys Breweries, Peel Holdings, Sutcliffe Speakman

Finals- Economic Forestry Group, Munton Brothers, Reliable Properties, River Plate and General Investment Trust, Spectrum.

FUTURE DATES

Interims-

Doons	Jan 13
Symonds Engineering	Jan 14
Finals-	
Debenham Tewson and Chinnocks	Jan 7
Pancom	Dec 22
Royal Trust Dollar Income Fund	Dec 31

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
* Assoc Newsp	Jan 7	Final 4.5	Ratners	Jan 12	Interim 1.0
Doons	Jan 14	Interim 1.2	THF	Jan 15	Final 4.67
Dowty	Jan 21	Interim 2.5	TSB	Jan 29	Final 1.055
Lonrho	Jan 29	Final 1.0	* Wardle		
* Racal Elec	Jan 25	Interim .7885	Storeys	Jan 8	Final 4.0

FINANCIAL TIMES STOCK INDICES

	Dec. 18	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 11	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.72	87.86	87.66	87.98	87.94	88.37	93.32	83.73	127.4	49.18
Fixed Interest	94.88	94.84	94.90	96.05	96.01	96.21	99.12	90.23	105.4	50.53
Ordinary	1377.8	1366.6	1348.9	1332.0	1312.4	1310.7	1926.2	1232.0	1926.2	49.4
Gold Mines	313.8	319.0	320.4	327.5	336.0	327.3	497.5	261.6	734.7	43.5
FT-Act All Share	867.07	861.05	851.61	842.23	832.18	831.08	1238.57	784.81	1238.57	61.92
FT-SE 100	1717.0	1706.2	1689.8	1670.0	1652.6	1651.6	2443.4	1565.2	2443.4	986.9

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

AUSTRALIA

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

CANADA

TORONTO

Closing prices December 18

[illegible]

F – No voting rights or restricted voting rights.

MONTREAL

Closing prices December 18

[illegible]

Total Sales 5,037,873 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices December 18*

Continued from Page 29

[illegible]

RegIBc .08e	7	196	13½	12⅞	13¼ + ⅜
Repign		463	8¼	8	8 – ¾
RepAm .24	10	754	12¾	12⅝	12¾ + ⅛
ReutrH .06e		1344	51	50½	50⅞ + ⅝
Rexon	10	912	6⅛	6	6 – ⅛
ReyRy .76	9	1219	16½	15	16½ + 1¼
RhonPl		21	28¾	28¼	28¼ – ¼
SonocPs .52	15	518	22¾	21½	22 – ¼
Sonora		251	6⅞	6½	6⅞ + ¼
SCarNt .56	9	103	19¼	19	19¼ + ¼
Sounel	72	108	12½	12¼	12½
SohldSv		2963	14¾	13⅝	14½ + ⅞
Soutrst .80	7	365	17¾	17⅝	17¾ + ¼
Sovran 1.44	11	2384	31⅝	30⅞	31½ + ⅜
UnPlntr .60	37	382	22½	22	22
UACm .04	181	530	21¾	20¼	21¾ + 1¼
UBCol .54l	24	352	14⅞	14⅝	14⅝ – ⅛
UnCosF .55	7	59	17¼	16½	17¼ + ½
UHltCr		65	3⅞	3¾	3¾
UtdSvrs .72	3	718	11½	11	11⅝ + ⅛
USBcp .80	7	2945	21⅛	20¾	20⅞ + ¼
Xidex		6823	7	6⅝	6⅝ – ⅜
Xylogic	10	44	10½	10	10½ + ½
Xyvan	18	1465	7¾	6½	7 – 1
YlowFs .62	21	1386	29	28	28⅞ + 1
ZionUt 1.44		173	24	22¼	23 + ¼
Zondvn		506	10	9½	10 + ½
Zycad		187	3⅝	3½	3⅝ + ⅛

INDICES

NEW YORK — DOW JONES

	Dec. 18	Dec. 17	Dec. 16	Dec. 15	1987 High	1987 Low	Since compilation High	Since compilation Low
◆Industrials	1975.30	1924.40	1974.47	1941.48	2722.42 (25/8)	1738.42 (19/10)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	86.22	86.23	86.11	85.98	95.51 (9/2)	81.26 (19/10)	–	–
Transport	767.29	748.86	764.71	731.0	1101.16 (14/8)	661.00 (4/12)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	178.05	174.67	178.46	177.81	227.83 (22/1)	160.98 (19/10)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 1982.92 (1987.23) Low 1924.73 (1917.44)

STANDARD AND POOR'S	Dec. 18	Dec. 17	Dec. 16	Dec. 15	1987 High	1987 Low	Since compilation High	Since compilation Low
Composite ‡	249.16	242.98	248.11	242.80	336.77 (25/8)	223.92 (4/12)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	287.56	280.38	286.52	280.20	393.17 (25/8)	255.43 (4/12)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	21.78	20.92	21.12	20.70	32.43 (25/8)	20.39 (7/12)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	139.15	136.02	138.34	135.61	187.99 (25/8)	125.91 (4/12)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	256.87	251.18	252.10	248.82	365.01 (13/8)	231.90 (4/12)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	326.91	319.15	319.25	312.68	455.28 (26/8)	291.90 (28/10)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec. 11	Dec. 4	Nov. 27	year ago (approx.)
Dow Industrial Div. Yield	3.69	3.88	3.59	3.61
	Dec. 16	Dec. 9	Dec. 2	year ago (approx.)
S & P Industrial div. yield	15.88	3.24	3.86	2.94
S & P P/E ratio	3.13	15.25	14.73	17.99

TRADING ACTIVITY † Volume

Millions	Dec. 18	Dec. 17	Dec. 16
New York	278.498	193.444	194.562
Amex	16.210	14.660	15.790
OTC	149.040	166.813	149.248

NEW YORK	Dec. 18	Dec. 17	Dec. 16
Issues Traded	1,979	1,978	1,984
Rises	1,286	626	1,140
Falls	383	992	460
Unchanged	310	360	384
New Highs	6	6	5
New Lows	41	36	53

CANADA

TORONTO	Dec. 18	Dec. 17	Dec. 16	Dec. 15	1987 High	1987 Low
Metals & Minerals	2669.8	2578.7	2655.1	2624.1	3507.5 (5/10)	1988.2 (2/1)
Composite	3157.4	3113.2	3145.8	3144.5	4112.9 (13/8)	2843.9(10/11)
MONTREAL Portfolio	1603.83	1570.86	1592.63	1600.0	2224.77 (16/7)	1435.94(26/10)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Portland	2,846,200	21⅞	– ⅞	Texaco	2,165,400	38½	+ 2½
Putnam Mastr	5,606,100	10		Exxon	2,098,300	40	+ 1⅛
ATT	3,940,200	29⅞	+ 1⅛	Navistar	1,942,600	4⅝	+ ⅛
Storage Tec	3,385,900	1⅞	+ ½	IBM	1,870,900	117¼	+ 1⅛
Amer Expr	2,479,800	23¾	+ ⅝	East Kodak	1,689,500	50⅞	+ 1¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

	Dec. 18	Dec. 17	Dec. 16	Dec. 15	1987 High	1987 Low
AUSTRALIA All Ordinaries (1/1/80)	1239.7	1250.6	1243.1	1248.7	2305.9 (21/9)	1151.0 (11/11)
All Mining (1/1/80)	744.1	755.6	748.2	760.7	1462.4 (14/10)	586.9 (11/11)
AUSTRIA Credit Aktien (30/12/84)	180.55	180.21	179.95	178.81	232.19 (22/9)	172.01 (11/11)
BELGIUM Brussels SE (1/1/84)	3503.8	3525.8	3540.5	3526.0	5412.2 (13/8)	3503.8 (18/12)
DENMARK Copenhagen SE (3/1/83)	(u)	185.00	185.02	184.96	219.76 (27/8)	179.60 (20/11)
FINLAND Unitas General (1975)	545.2	546.5	546.7	549.3	679.1 (15/10)	425.2 (5/1)
FRANCE CAC General (31/12/82)	281.7	286.3	287.8	282.8	460.4 (26/3)	270.3 (11/12)
Ind. Tendance(31/12/86)	71.6	72.4	74.9	73.4	117.2 (26/3)	69.6 (10/12)
GERMANY FAZ Aktien (31/12/58)	432.96	438.57	441.35	432.09	676.84 (6/1)	400.13 (10/11)
Commerzbank (1/12/53)	1329.3	1348.1	1356.7	1327.8	2061.1 (17/8)	1220.9 (10/11)
HONG KONG Hang Seng Bank (31/7/64)	2180.46	2142.23	2145.71	2080.62	3949.73 (1/10)	1894.94 (7/12)
ITALY Banca Com. Ital. (1972)	504.36	508.23	501.22	493.80	767.34 (30/4)	476.27 (10/11)
JAPAN ** Nikkei (16/5/49)	22826.97	22899.83	22819.42	22846.73	26646.43 (14/10)	18544.00 (13/1)
Tokyo SE New (4/1/68)	1833.48	1844.26	1837.03	1844.55	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS ANP-CBS General (1970)	(u)	210.8	212.2	208.3	334.1 (14/8)	192.2 (10/11)
ANP-CBS Industrial (1970)	(u)	162.2	162.6	157.4	280.8 (11/8)	147.5 (10/11)
NORWAY Oslo SE (4/1/83)	326.41	324.32	322.13	324.52	592.04 (21/9)	307.48 (10/11)
SINGAPORE Straits Times Ind. (30/12/66)	773.1	768.6	763.2	750.5	1505.4 (26/8)	700.4 (7/12)
SOUTH AFRICA JSE Gold (28/9/78)	(u)	1810.0	(c)	1797.0	2499.0 (3/8)	1448.0 (5/11)
JSE Industrial (28/9/78)	(u)	1441.0	(c)	1449.0	2266.0 (16/10)	1402.0(23/11)
SPAIN Madrid SE (30/12/85)	227.37	225.83	219.48	212.48	325.44 (6/10)	201.08 (4/12)
SWEDEN Jacobson & P. (31/12/56)	2187.66	2180.20	2135.50	2138.60	3550.40 (9/10)	2068.60 (10/11)
SWITZERLAND Swiss Bank Ind. (31/12/58)	471.3	474.4	472.1	466.8	729.7 (5/10)	450.9 (10/11)
WORLD M.S. Capital Int. (1/1/70)	(u)	407.4	407.8	404.5	495.9 (27/8)	361.3 (2/1)

** Saturday December 12: Japan Nikkei (c) TSE (c)

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed.(u) Unavailable.

Closing prices, December 18

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	2.1	15	803	17¼	16¾	17¼	+½
32½	19	AFG s	.16	.6	9	793	27	25½	27	+⅛
27	10½	AGS s			14	480	17¼	15¾	16½	+½
10½	6¼	AMCA				16	7	6⅞	7	+⅛
9⅜	3¼	AM Intl			34	2048	4¾	4⅜	4¾	+⅛
65½	26¾	AMR			10	7894	36⅛	34⅝	35⅞	+1¼
27½	24⅞	ANR pf	2.67	10.		1	25⅝	25⅝	25⅝	+⅜
25	19	ANR pf	2.12	10.		1	20¾	20¾	20¾	
12¼	6⅜	ARX s			8	325	7⅝	7	7⅝	+¼
73½	35⅛	ASA	2a	4.0		1031	50	46½	49⅞	−⅜
22⅜	9½	AVX			17	245	14	13½	13¾	
67	40	AbtLab	1	2.1	16	6586	48	46⅝	47⅝	+⅝
28	15⅜	Abitibi g				64	20	19⅝	19¾	
16¾	8½	AcmeC	.40	3.4	18	290	11⅝	11⅛	11⅝	+⅛
10½	6⅛	AcmeE	.32b	4.6	24	5	7	7	7	
20	14⅛	AdaEx	3.44e	22.		264	15⅜	15	15⅜	+¼
19½	6⅞	AdamMl	.24	2.4	8	439	9⅞	7⅞	9⅞	+1¾
35	16⅝	AdvSys			13	229	28⅞	28⅛	28⅞	+¾
24⅞	7½	AMD				8703	10½	10⅛	10½	+½
56¾	29¼	AMD pf	3	9.4		289	31¾	31½	31¾	+¼
11⅞	4⅝	Adobe				460	5	4¾	5	
21⅞	17	Adob pf	2.40	12.		11	20¼	19¾	20¼	+½
15	6⅞	Advest	.12a	1.5	6	423	7⅞	7⅝	7⅞	+⅛
68¼	43¾	AetnLf	2.76	6.1	6	3994	45½	44¾	45⅜	+⅜
83½	33¼	AflPb s	.40	.8	8	364	50¼	49½	50¼	+½
26⅞	13	Ahmans	.88	5.9	6	7585	15⅜	14¼	14⅞	+¾
5⅜	1¾	Aileen				183	2¼	2⅛	2⅛	
53⅞	29	AirPrd	1	2.5	14	3957	40¼	37⅞	40¼	+2
36	11⅛	AirbFrt	.60	4.5	8	751	13¼	12¾	13¼	+⅜
16½	6¾	Airgas			15	257	10¼	9⅞	10⅛	+⅛
19½	13½	Airlease	1.16e	14.	9	80	15½	15⅛	15¼	−⅛
15-32	5-16	AlMoan			34	101	11-32	11-32	11-32	
10¾	7⅝	AlaP dpf	.87	9.7		370	9	8⅞	9	
106½	81½	AlaP pf	9	10.		z100	90	90	90	+1½
110½	102⅝	AlaP pf	11	10.		z60	105	105	105	−1⅛
105	86½	AlaP pf	9.44	10.		z20	94½	94	94½	−¼
98½	77	AlaP pf	8.28	10.		z100	81½	81	81½	+½
27⅞	12¼	AlskAir	.16	1.1	19	512	14¾	14⅛	14¾	−⅛
28¼	14¾	Alberto	.24	1.2	16	368	20¼	20	20¼	+¾
24	12⅝	AlbCulv	.24	1.5	12	138	16	15½	15½	−⅛
34	20¼	Albtsn s	.48	1.8	15	2153	26¾	26¼	26¾	+⅝
37⅞	18	Alcan s	.45i	1.7	13	7607	27⅝	26⅝	27⅛	+⅞
30	15¼	AlcoS s	.66	3.3	11	474	20½	19⅝	20½	+⅞
32	15⅞	AlexAlx	1	5.6	12	2048	17¾	16⅞	17¾	+⅝
59	34¾	Alexdr			116	55	39⅝	39¼	39½	
92½	48½	AllegCp			6	35	70	69⅝	70	+¾
24¾	2⅛	AlgInt				963	3	2⅞	3	
20⅛	5¼	Algin pr				21	6⅝	6⅜	6⅝	+¼
88½	20	Algl pfC				29	25	24¼	25	
34	15⅛	AlgLudn	.20e	.9		193	22⅝	21⅞	21⅞	−⅝
49	31⅜	AllgPw	3	8.1	9	1380	37¼	36¾	36⅞	+⅝
105⅞	52	Allegis	.75j		36	5251	71½	70¼	71½	+1
19⅜	5½	AllenG	.56j			1261	8⅛	7	8⅛	+1
24⅞	9¼	Allen pf	1.75	15.		257	12	10⅝	12	+1¾
44	12⅝	AlldPd			8	666	13¼	12¾	13¼	+½
49¼	25	AldSgnl	1.80	6.2	8	7352	29¼	28½	29	+½
3¾	1	vjAllisC				388	1¼	1⅛	1⅛	
37½	5⅛	AllisC pf				183	5¼	d4⅞	5	−¼
10⅛	8⅞	AlstMun	.11e	1.2		267	9½	9⅛	9⅜	
34⅛	23	ALLTL	s1.52	5.4	15	527	28¼	27⅞	28	−⅛
64¾	32⅞	Alcoa	1.20	2.4		4258	49⅛	48⅛	49	+⅞
32	14	AmxG	n.04e	.2		776	25	24½	24⅝	−⅜
28¼	11⅞	Amax			7	7141	21⅛	20	21	+1¼
47¾	34	Amax pf	3	7.5		15	40	40	40	+2¼
41⅞	21½	AmHes	.45e	1.9	8	8565	24⅝	23¼	23½	+⅛
30⅜	7	ABrck	s.05e			747	21¾	21	21½	−½
60	36½	AmBrnd	2.20	5.2	10	3893	43	41½	42¼	+¼
34½	29⅞	ABrd pf	2.75	9.0		23	30⅞	30½	30⅝	+⅛
28⅜	16	ABldM	.90	4.8	15	57	18⅞	18¼	18⅞	+⅝
31½	15½	ABusPr	.80	4.2	12	251	19	17¾	19	+1¼
25⅜	17⅞	ACapBd	2.20	10.		115	21⅜	21	21⅜	+⅛
35⅜	23½	ACapCv	5.02e	21.		11	23⅞	23⅝	23⅞	+¼
24⅞	7⅜	ACMR	1a	9.9	7	105	10⅛	9¾	10⅛	+⅜
4⅝	13-16	ACentC				67	⅞	13-16	13-16	−1-16
57	29	ACyan	s1.05	2.5	15	3805	42¼	41½	42¼	+⅞
31⅜	23⅛	AEIPw	2.26a	8.7	9	7149	26	25⅝	25⅞	+¼
40⅝	20¾	AExp s	.76	3.2	14	25437	23⅞	22⅞	23⅞	+⅞
18½	9⅞	AFaml s	.24	1.6	13	537	14⅞	14⅝	14⅞	
44¾	27¼	AGnCp	1.25	4.0	7	5099	31¼	29¾	31¼	+1¾
21⅞	5¾	AGnl wt				1178	8	6¾	8	+¾
20	12	AHlthP	n1.22e	8.1		180	15¼	14⅞	15⅛	+¼
34	23	AHerit s	.96	3.9	9	103	24¾	24½	24½	−¼
11⅝	4¾	AHoist				171	7¼	7	7¼	+¼
24¼	17¼	AHoist pf	1.95	11.		24	18¼	17⅞	18¼	+¼
96¾	62	AHome	3.34	4.7	13	3629	71¾	70	71¾	+2⅜
99⅞	74	Amrtc	s5.40	6.1	11	4813	89⅛	87¾	89⅛	+1⅝
83¾	53½	AIntGr	.30	.5	12	5386	63¾	60½	63¾	+4¼
20⅞	10⅝	AMI	.72	5.2	11	5044	13⅞	13¼	13¾	+⅛
51	21⅝	APresd	.50	1.8	9	1313	27¾	25½	27¾	+2
69	46	APresd pf	3.50	6.7		340	52½	52¼	52⅜	−⅛
17½	12½	AREst n	2	13.		82	15¾	15¼	15⅜	+¼
19	10⅝	ASLFla			8	144	15¾	15⅝	15⅝	+⅛
23⅞	14⅝	ASLFl pf	2.19	13.		92	16¾	16⅛	16¾	+⅜
10⅛	3¼	AShip	.20j			974	4	3⅝	4	+½
55	30½	AmStd	1.80	4.8	10	1347	38	37⅜	37⅞	+¼
88¼	41½	AmStor	.84	1.7	11	794	51	50⅜	50⅝	+⅞
93½	51	AStr pfA	4.38	7.8		96	57½	55¼	57½	+1
35⅞	22¼	AT&T	1.20	4.1	22	40443	29¼	28¼	29¼	+1¼
53	49⅞	AT&T pf	3.74	7.4		1	50⅝	50⅝	50⅝	−⅜
25⅞	13⅞	AmWtr	s.64	3.8	8	581	17	15¼	17	+1¾
17¼	13⅛	AWat pr	1.25	9.3		z200	13½	13½	13½	
13½	8¼	AmHoti				113	8¾	8¼	8¾	+⅜
54⅝	29	ATr sc				8	36¾	36⅜	36¾	+1⅝
134½	103⅛	ATr un	6.27	5.4		3	117⅛	115½	115½	+1¼
37¼	24¾	Ameron	.95	2.9	9	122	32¾	31¼	32¾	+1¾
29¼	7½	AmesDp	.10	1.0	19	1494	10⅝	9¾	10¼	+½
19⅝	12	Ametk s	.60	4.2	15	749	14¾	14¼	14¼	
12⅝	9¼	AmevS	1.08	11.		x25	10¼	10⅛	10¼	
40¾	21½	Amfac				987	32¼	31⅝	32¾	+⅛
37½	24½	Amfac pf	1.85	5.9		48	31⅞	31¼	31¾	
4⅝	1½	vjAmfesc				354	1⅝	1½	1½	
90¼	57	Amoco	3.30	4.9	15	6785	67¼	64¾	67	+2⅜
71½	34⅛	AMP	.80	1.6	24	4272	49⅛	46½	49½	+1¼
19	11⅛	Ampco	.30	2.4		139	12⅝	12¼	12⅝	+⅛
22¼	6¾	Amre s			19	489	12⅞	12¼	12⅝	+½
16⅞	6⅜	Amrep			15	305	9½	8⅝	9½	+⅞
35⅝	20½	AmSth	1.24	5.9	6	274	21⅞	21	21⅛	−⅛
10⅞	3½	Anacmp			24	1416	6¾	6⅛	6¾	+½
34⅞	19½	Anadrk	.30	1.2		1613	24¾	23⅞	24⅛	−¾
23⅞	6⅝	Analog			29	555	11⅝	11	11⅝	+⅛
30½	11¾	AnchGl s	.08	.4	13	245	19⅜	18½	18½	−⅞
34⅜	16½	Angelic	.72	3.2	11	82	22⅝	22	22¼	−¼
15⅞	9⅝	AnglCm	1.52	15.	103	135	10⅜	10⅛	10¼	−¼
40⅛	25⅝	Anheus	.60	1.8	17	6367	33⅛	32⅝	33⅛	+⅞
17⅜	6¾	Anthm s			28	1824	10¼	9¼	10¼	+¾
15⅜	7¾	Anthony	.44b	4.1	6	19	10¾	10½	10⅝	+⅜
12⅝	6⅜	Apache	.28	3.8		472	7½	7⅛	7⅜	+⅛
9⅛	3⅜	ApcP un	.70	19.		2489	3¾	3⅝	3⅝	+⅛
101½	72	ApPw pf	8.12	10.		z10	81½	81½	81½	+1
94	66	ApPw pf	7.40	9.3		z170	80	80	80	+1
20⅝	7⅜	ApplM s			14	528	14¼	13⅛	14⅛	+½
27¾	17½	ArchDn	.10b	.5	13	7863	21⅛	20⅝	21	+⅝
38¾	17	ArcoCh	.20e	.7		1163	27¾	26⅜	27½	+1⅛
39	16¾	Aristar	.72	2.7	12	2163	27¼	26⅜	27	+⅝
30¼	8⅛	ArkBst	.35	3.1	16	583	11½	10⅛	11½	+1⅛
26½	15⅝	Arkla	1.08	6.4	14	1353	17	16⅝	16¾	
59	34½	Arkla pf	3	8.5		19	35¼	35⅛	35¼	+¼
15⅜	7⅜	Armada			63	10	9½	9¼	9½	+½
14¾	4⅞	Armco			7	2578	11	10½	11	+¼
25½	15⅛	Armc pf	2.10	10.		2	20¼	20¼	20¼	−¼
46	35	Armc pf	4.50	12.		5	36⅛	36	36	−½
47⅜	22½	ArmWl	.90	3.0	10	2584	31	30⅛	30⅜	+⅛
29½	15	Armtek	.46	2.7	6	98	17½	17⅛	17½	+⅜
12⅛	4⅞	ArowE	.20j			372	6⅝	6¼	6½	
21½	11¾	ArowE pf	1.94	14.		63	13¾	13½	13⅝	+⅛
33	11	Artra				391	13½	12⅞	13⅜	+⅜
38¾	14¾	Arvin	.68	3.7	7	573	18⅛	18¼	18⅜	−½
34¼	13¾	Asarco	.10e	.4	9	1431	27	26⅝	26⅞	+⅝
71¾	46½	AshlOil	1.80	3.0	14	384	59⅝	58⅛	59¼	+⅜
12	3⅝	AsiaPcn				523	4¾	4⅝	4¾	+⅜
15½	5	AtalSos			5	2	5¼	5⅛	5⅛	
23⅛	9⅞	Athlone	1.60	14.		71	11¾	11⅜	11¾	+½
41⅝	26¾	AtlEnrg	2.68e	6.8	9	462	30¼	29¾	30	+⅛
99⅛	58⅝	AtlRich	4	6.1	13	10120	65¾	64⅝	65⅝	+⅛
53	14⅛	AtlasCp			77	63	34¾	33⅞	34¾	+⅞
8⅛	3	AudVd			10	205	3⅜	3¼	3¼	
28⅝	10⅝	Augat	.40	2.6	28	910	15¼	14⅛	15¼	+1
27⅜	10	Ausimt	.48	3.5	8	377	14	13	13⅞	+¾
54½	32¼	AutoDt	.44	1.0	24	3216	45¼	44½	44⅞	+⅜
5	4	Avalon	.20e	4.6		35	4½	4⅜	4⅜	−⅛
25¼	13	AVMC s	.28	1.5	11	132	19½	19	19	+¼
29¼	15⅛	Avery s	.42	2.1	15	458	20	19⅛	20	+⅝
39¼	18½	Avnet	.50	2.0	29	1843	25⅝	24½	25¼	−¼
38⅝	19¼	Avon	2	8.1	11	3513	24¾	23⅛	24¾	+⅝
37½	16	Aydin			9	56	19	18¾	19	
		B B B								
20¼	13⅜	BET n	.57e	3.6		86	16	15¾	16	+¼
9⅞	3¼	BMC				229	5¼	4⅞	4⅞	−⅛
33	23½	BRE	2.40	8.8	11	63	27⅛	26⅞	27⅛	+⅜
42¼	20	Balmco	.80	3.3	9	138	24½	24¼	24⅜	−⅜
27⅜	11⅛	BkrHu n	.46	3.5		6383	13⅛	12½	13⅛	+⅜
67	38⅝	BkrH pf	3.50	8.3		368	42½	42	42¼	−¼
28	17	Baldor	.48	2.4	19	42	20¼	19⅞	20	
48½	27¼	Ball	.96	2.9	12	679	33⅜	32⅛	33⅜	+2⅜
27¾	10½	BallyMf	.20	1.5	9	1895	13¾	13⅜	13⅜	+⅜
37⅞	19	BaltGE	1.90	6.5	6	4584	29½	29¼	29⅜	−⅛
29½	17¾	BncOne	.92	4.1	11	2352	22⅞	21¼	22⅝	+1½
28⅝	16½	BncCtr	n.25e	.9		539	28½	28¼	28¼	−⅜
55¾	41	BnSantn	.31e	.6		32	48⅝	48¼	48¼	−½
4¼	1¼	BanTx n				870	1⅝	1⅜	1⅝	+¼
69	42	Bandg s	.80	1.5	14	232	53	52½	53	−½
38	17⅞	BkBost	1.08	4.4	14	x10138	24½	23⅝	24½	+2¼
52¾	47½	BkB pfA	3.27e	6.8		47	48¼	48¼	48¼	+¼
52⅞	47	BkB pfB	3.23e	6.7		6	48	47	48	+1
45⅞	24½	BkNY	1.80	6.4	10	826	28¼	28⅛	28¼	+2¼
15⅞	6¾	BnkAm				10040	7⅜	6⅞	7¼	+⅜
37⅞	25½	BkA pf	3.36e	13.		59	25⅞	25¾	25⅞	+⅜
65	43	BkA pf	6e	14.		199	43½	d42½	42⅝	−⅜
10⅞	6⅛	BkA pf	2.88			307	6¾	6½	6⅝	+⅛
55¼	26¼	BankTr	1.88	5.9		6446	31⅝	29⅝	31⅝	+2⅝
27¾	13⅜	Banner	.06	.4	13	30	16¼	16¼	16¼	+⅛
42½	28¼	Barclay	1.65e	5.2		77	31⅞	31½	31⅞	−⅛
50¼	25	Bard	.48	1.4	17	1258	35¼	33¾	35	+1⅛
40¾	26¼	BarnGp	.20	3.3	14	32	36¾	36½	36⅝	
41¾	27⅛	Barnet s	.92	3.0	9	1954	30⅝	28½	30⅝	+1¾
20⅝	9¼	BaryWr	.60	5.9	12	285	10¼	10	10¼	+¼
10⅛	1⅜	BASIX				378	1⅝	1½	1½	−⅛
29⅞	11½	BatlMt s	.10	.6	30	1453	18⅞	18⅛	18⅛	−1
49⅝	30¾	Bausch	.88	2.5	13	949	33⅞	32¾	33⅞	+⅛
28¼	15½	Baxter	.44	1.9	20	11128	22¾	21¾	22¾	+⅜
50⅞	45⅝	Bax pfA	3.30e	7.0		106	47⅛	47	47⅛	−⅛
93	61	Bax pfB	3.50	4.7		16	74¾	74	74¾	+¾
28	14¾	BayFin	.20	1.2		141	16¼	15⅛	16¼	+1¼
30⅜	19¾	BayStG	1.52	7.2	8	76	21¼	21	21¼	+⅛
22⅞	8	BearSt	.48b	4.3	6	1134	11⅛	10¾	11⅛	−⅛
52⅝	44½	BearS pf	3.06e	6.8		200	45¼	45¼	45¼	+¾
43⅞	30¾	Bearing	1	2.8	19	40	35½	34¾	35½	+½
16¼	9¼	Becor	.05j			146	11	10⅞	11	−⅜
69	42¼	BectDk	.66e	1.8	14	1735	49	47⅝	48	−¼
15-16	5-32	vjBeker				287	9-32	¼	¼	
2⅛	1-16	vjBekr pf				37	13-32	⅜	⅜	−1-32
28⅜	18¼	BeldnH	.40e	2.0	10	24	20	19¼	20	+½
75¼	35¾	BellHwl	.62	1.0	10	665	60⅛	59⅞	59⅞	−⅛
75	35¾	BellHw pf	.74	1.2		54	60	60	60	
79¾	60½	BellAtl	3.84	6.5	11	5679	69⅞	68⅛	69⅞	+1¾
33⅜	23½	BCE g	2.44		8	3146	28½	28⅛	28¼	+⅛
23⅜	11¼	BellIn s	.28	2.3	20	354	12⅝	12¼	12⅝	+¼
44¼	29⅛	BellSo	s2.20	5.8	11	10347	38⅛	36⅞	38⅛	+1⅜
77¼	42¼	BeloAH	.80	1.6	14	195	49¼	48⅝	49¼	+½
42	25½	Bemis	.72	1.9	17	389	38¼	37	37	+¼
65¼	28½	BenfCp	2	5.7		898	35⅝	34¾	35¼	+¾
55	38	Benef pf	4.30	11.		3	39½	39½	39½	
55	45	Benef pf	4.50	10.		z100	44½	d44½	44½	−½
9⅞	2½	BengtB	.05e	1.3		411	3⅞	3¾	3⅞	
7⅛	2⅛	Berkey				319	2¾	2¼	2¾	+½
23¼	5¾	BestBys			13	343	10¾	9⅞	10⅛	−½
13	6	BestPd			8	911	7⅝	7⅜	7⅝	+⅛
19¾	4⅝	BethStl			8	4870	17½	16⅞	17¼	+⅛
47½	14¼	BethSt pf	2.50k			30	40	39⅞	39⅞	−⅛
24¼	7⅛	BethS pfB	1.25k			59	20¾	20½	20¾	+½
18⅞	6⅜	Bevrly	.20	2.5		2918	7⅞	7⅜	7⅞	
26⅝	16½	BevIP	n2.25e	12.	12	92	19⅜	18⅞	19¼	+¼
28⅜	13½	Biocft			16	417	16¼	15¾	16⅛	+⅜
26½	13	BlackD	.40	2.4	18	3097	17	15⅝	17	+1⅜
25¼	19½	BlkHC	s1.28	5.8	11	23	22½	22⅛	22⅛	−⅛

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
40	28½	SCANA 2.32		8.0	9	404	29	28⅝	29	
9⅝	5⅜	Schfr	.81e	4.8		253	6¾	6½	6¾	+⅛
55¼	31¼	SchrPl s1.20		2.4	19	4430	49⅝	48½	49⅛	+⅞
51	26	Schimb 1.20		4.0		7242	30	28⅝	30	+1⅞
17	5¾	Schwb n				584	6⅛	6	6¼	+¼
20¼	8⅛	SciAtl	.12	1.0	10	1440	11⅛	10⅞	11½	+⅝
87	55	ScottP	1.36	1.9	12	1313	70	67⅝	70	+2¼
15⅞	10	Scotys	.52	4.1	17	148	13	12⅝	12⅝	−⅜
13	3¼	ScdNA n				663	7	6⅝	6⅞	+⅛
30½	12	SeaCnt	.10e	.6	8	416	16⅞	16¼	16⅜	−½
14¼	9⅛	SeaCt pf1.46		12.		91	12	11⅞	12	+¼
17½	13⅛	SeaC pfB2.10		13.		29	15⅞	15½	15⅞	+⅜
17½	12¾	SeaC pfC2.10		13.		24	15¾	15⅝	15¾	
16	7	Tultex s	.36	4.6	9	472	8	7⅝	7⅞	
28⅛	15⅜	TycoL s	.24	1.1	27	989	22⅛	21⅝	22	
15¾	9¼	Tyler	.44	3.6	16	280	11⅛	10½	11⅛	
		U U U								
27⅞	11¾	UDC	2.20	15.	5	238	14⅝	13⅞	14⅝	+¼
32	21¾	UGI	2.04	7.7	11	213	25⅞	26	26⅝	+¼
13¾	4½	UNCInc	.01e	.2	9	592	6½	6⅛	6½	+¼
31⅛	15⅜	UNUM	.30e	1.7		3338	18	16⅞	17⅞	+⅝
48¾	28¼	USFG	2.48	8.2	6	3908	30¼	29⅝	30¼	+¾
62	43½	USFG pf4.10		9.3		204	44¼	44	44¼	+¼
55⅞	23½	USG	1.12	3.7	7	3161	30¾	30¼	30½	−½
28½	16¼	USLICO	.88	5.0	7	63	18	17½	17½	−⅛
		X Y Z								
65	50	Xerox	3	5.2	12	4361	57¼	55⅞	57⅝	+⅞
58¼	52½	Xerox pf5.45		10.		5	53	52⅞	53	
31½	19⅛	XTRA	.64	2.9	14	76	21⅞	21	21⅞	+⅜
28¼	19½	XTRA pf1.94		9.0		35	21½	21½	21½	
33⅞	16⅛	Yorkln			9	185	23¼	22½	22¾	
7¼	2¼	Zapata				1202	2¾	2⅝	2⅝	+⅛
37	13½	Zayre	.40	2.5	6	3380	16	15⅝	15¾	+¼
18⅞	9¼	Zemex	.40	4.3	8	13	9⅜	9¼	9¼	−¼
33⅝	10	ZenithE				1285	15½	14¾	15½	+⅝
13½	2⅝	ZenLab				2370	3	2⅞	2⅞	
26½	13½	ZenNtl	.80	5.2	8	158	15⅝	15	15½	+⅜
20⅝	11⅝	Zero	.36	2.4	14	1498	14¾	14½	14¾	−¼
30¾	15	Zurnin s	.68	3.8	12	889	18¼	17¾	18⅛	
10⅝	7⅝	Zweig	.92e	11.		632	8¼	8½	8⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices, December 18

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Continued on Page 27

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weak while pound follows middle path in 1988

BY COLIN MILLHAM

FORECASTS FOR the dollar in 1988 are not favourable, at least for the first half of the year.

London merchant bank Baring Brothers, expects the dollar to remain under pressure, falling to DM1.50 and Y117 early in the new year, while Nomura Research Institute in London forecasts the dollar will touch Y115 in the first quarter of 1988.

Former White House economic adviser, Mr Martin Feldstein, indicated that the dollar could fall below Y100 in the next few years to correct the US trade deficit.

The general consensus in the market is that the run up to next year's Presidential election will see the US trying to avoid recession. Bond yields will rise and the dollar will weaken.

In spite of last week's talk about contacts between members of the Group of Seven, there was scepticism that the major industrial nations will reach early agreement on coordinated economic policy.

The main problem is seen as the US attitude, and doubts that the *Reagan Administration* wishes to revive the Louvre accord on currency stability.

The most significant economic news during this short Christmas holiday week is likely to be the UK trade figures for November.

The median figure among City forecasters is for a visible trade deficit of £950m and a current account shortfall of £350m, but there are several economists who believe this is too optimistic a view.

Phillips and Drew expects a trade deficit of £1.1bn and a current account deficit of £500m. Nomura is looking for a visible deficit of £1.05bn and a current account shortfall of £450m, while Morgan Grenfell suggests a trade deficit of £1bn and a payments deficit, after allowing for invisible earnings, of £400m.

Last week's figures on industrial production, unemployment and average earnings pointed to strong growth in the UK economy. Nomura believes this will continue into next year but "the flip-side of a strong UK economy is a deteriorating trade deficit and this is likely to pose some weakness in the DM/£ rate later in 1988."

Nomura suggests this could take sterling down to DM2.85 by the second half of next year, as the current account deficit for 1988 widens to £3.5bn and to £5bn in 1989.

This is not regarded as a problem as far as funding is concerned.

In November there was a net repayment of £1.55bn on the public sector borrowing requirement, and according to Morgan Grenfell the *PSBR* should be roughly balanced for the year as a whole.

The general outlook for the UK in 1988 appears to be reasonably encouraging. Kleinwort Grieveson Securities says that "although not completely insulated from the stock market crash the UK seems better placed than most to weather the financial storm."

Nomura adds "The UK economy is looking robust and can enter 1988 on an optimistic note." It sees this is in stark contrast with the situation in West Germany, and that UK growth is likely to be double that of the Federal Republic in 1988.

Sterling may weaken against the D-Mark next year, as strong growth sucks in imports and widens the UK trade deficit, but according to Nomura the pound could rise to $1.97 by the end of the first quarter.

£ IN NEW YORK

Dec 18	Close	Previous Close
£ Spot	1.8230-1.8240	1.8350-1.8355
1 month	0.07-0.05pm	0.07-0.06pm
3 months	0.42-0.40pm	0.38-0.35pm
12 months	2.10-2.00pm	2.08-1.98pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1926	+1.73	+0.97	±1.5344
Danish Krone	7.85212	7.95047	+1.25	+0.49	±1.5404
German D-Mark	2.05853	2.06417	+0.27	-0.49	±1.0981
French Franc	6.90403	6.98096	+1.11	+0.35	±1.3674
Dutch Guilder	2.31943	2.32275	+0.14	-0.62	±1.5012
Irish Punt	0.768411	0.776587	+1.06	+0.30	±1.6684
Italian Lira	1483.58	1520.34	+2.48	+1.72	±4.0752

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	2.61	4.09	1.23	2.45
118	1.57	3.08	2.19	3.44
120	1.11	2.19	3.37	4.56
122	0.43	1.41	5.05	6.13
124	0.25	1.09	6.51	7.45
126	0.14	0.50	8.40	9.22
128	0.07	0.33	10.33	11.05
130	0.02	0.13	14.27	14.49

Estimated volume total, Calls 1897 Puts 2287
Previous day's open int: Calls 28064 Puts 13486

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	6.22	6.25	0.34	1.27
84	4.43	5.04	0.55	2.06
86	3.14	3.59	1.26	2.61
88	2.04	2.61	2.16	3.63
90	1.18	2.12	3.30	5.14
92	0.47	1.36	4.99	6.38
94	0.25	1.06	6.37	8.08
96	0.12	-	8.24	-

Estimated volume total, Calls 60 Puts 176
Previous day's open int: Calls 832 Puts 740

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Jan	Puts-Last Dec	Puts-Last Jan
15000	22.80	26.15	0.00	0.20
15250	20.30	-	0.00	-
15500	17.80	21.49	0.00	0.50
15750	15.36	-	0.00	-
16000	-	-	-	-
16250	10.30	-	0.00	-
16500	7.83	13.01	0.03	2.06
16750	5.44	-	0.14	-

Estimated volume total, Calls 100 Puts 73
Previous day's open int: Calls 50 Puts 270

BASE LENDING RATES

● Hambros Bank	$8\frac{1}{2}$
Heritable & Gen Inv Bk	$8\frac{1}{2}$
Yorkshire Bank	$8\frac{1}{2}$

● Members of the Accepting Houses Committee. * 7-day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 3.49%. Mortgage 10%-10.25%

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Mar	0.7611	0.7659	0.7585	0.7684
Jun	0.7691	0.7732	0.7665	0.7764
Sep	0.7775	0.7800	0.7735	0.7848
Dec	0.7865	-	-	0.7938

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Mar	248.45	251.00	244.25	244.30
Jun	250.00	252.50	245.70	245.80
Sep	252.50	254.00	250.00	248.50
Dec	254.80	256.50	-	-

FORWARD RATES AGAINST STERLING

	Spot	1 mth	2 mths	6 mths	12 mths
US Dollar	1.8260	1.8253	1.8222	1.8167	1.8060
D-mark	2.9825	2.9702	2.9454	2.9074	2.8335
French Fr.	10.088	10.087	10.086	10.085	10.086
Swiss Fr.	2.4225	2.4119	2.3916	2.3593	2.2868
Yen	232.00	231.19	229.48	226.84	221.43

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.8238	1.8252	1.8252	1.8294
Jun	1.8185	1.8185	1.8185	1.8232
Sep	-	1.8170	1.8127	1.8170

Estimated volume 5(0)
Previous day's open int. 103 (103)

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY DECEMBER 18 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY DECEMBER 17 1987 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987 High	1987 Low	Year ago (approx)
Australia (88)	96.34	-1.1	78.22	89.80	4.62	97.41	78.68	90.40	180.81	85.36	100.61
Austria (16)	96.62	-0.4	78.45	81.87	2.57	96.98	78.34	81.75	102.87	85.53	94.60
Belgium (48)	95.54	-0.6	77.58	80.70	5.88	96.14	77.66	81.09	134.89	94.63	94.95
Canada (127)	109.82	+1.6	89.16	103.89	3.00	108.13	87.34	102.22	141.78	98.15	100.39
Denmark (38)	113.53	-1.0	92.18	97.16	3.07	114.64	92.60	97.45	124.83	98.18	96.28
France (121)	84.77	-1.4	68.83	73.47	3.64	86.01	69.47	74.07	121.82	77.39	101.09
West Germany (93)	76.15	-1.9	61.83	64.65	2.96	77.63	62.71	65.46	104.93	68.91	95.64
Hong Kong (46)	84.38	+1.6	68.51	84.28	6.62	83.07	67.09	82.82	158.68	73.92	95.77
Ireland (14)	101.85	-1.6	82.70	88.02	5.17	103.55	83.64	89.10	160.22	93.50	96.52
Italy (94)	78.20	-1.5	63.49	70.14	2.75	79.38	64.11	70.72	112.11	72.04	94.22
Japan (457)	143.94	-1.2	116.87	115.55	0.61	145.72	117.70	116.25	161.28	100.00	97.78
Malaysia (36)	104.68	+0.5	84.99	100.49	3.60	104.13	84.11	99.76	193.64	93.76	99.75
Mexico (14)	105.49	-2.9	85.65	263.55	1.14	108.67	87.78	271.49	422.59	99.72	99.77
Netherland (37)	95.76	-0.7	77.75	80.33	5.64	96.42	77.88	80.33	131.41	87.70	97.60
New Zealand (20)	76.01	+0.9	61.72	62.34	5.40	75.32	60.84	61.88	138.99	75.04	98.51
Norway (24)	96.43	-1.3	78.29	83.70	3.28	97.67	78.89	84.35	185.01	95.51	97.04
Singapore (26)	90.74	+0.6	73.67	83.77	2.90	90.20	72.86	83.01	174.28	81.21	101.57
South Africa (61)	133.80	-4.0	108.64	92.14	4.81	139.37	112.57	93.04	198.09	100.00	102.37
Spain (43)	129.95	-0.2	105.51	108.98	3.86	130.19	105.16	108.64	168.81	100.00	97.22
Sweden (34)	98.30	+0.6	79.81	86.29	2.66	97.66	78.89	85.45	136.64	88.50	97.24
Switzerland (53)	80.09	-1.4	65.03	65.84	2.54	81.21	65.59	66.30	111.11	73.65	94.83
United Kingdom (332)	128.56	+0.2	104.39	104.39	4.48	128.32	103.64	103.64	162.87	99.65	94.27
USA (581)	101.30	+2.3	82.25	101.30	3.65	98.99	79.95	98.99	137.42	91.21	103.42
Europe (947)	101.86	-0.6	82.70	85.11	3.99	102.44	82.75	85.12	130.02	92.25	95.63
Pacific Basin (673)	139.82	-1.2	113.52	113.35	0.83	141.46	114.26	113.98	158.77	100.00	97.85
Euro-Pacific (1620)	124.67	-1.0	101.22	102.07	1.87	125.89	101.68	102.45	143.65	100.00	96.96
North America (708)	101.75	+2.3	82.62	101.47	3.61	99.47	80.34	99.19	137.55	91.68	103.26
Europe Ex. UK (615)	85.29	-1.3	69.25	73.00	3.52	86.39	69.78	73.49	111.97	78.89	96.48
Pacific Ex. Japan (216)	89.97	+0.0	73.05	84.87	5.20	89.95	72.66	84.60	164.03	82.92	98.76
World Ex. US (1822)	124.25	-0.9	100.88	102.16	1.94	125.41	101.30	102.49	143.38	100.00	97.14
World Ex. UK (2071)	114.07	+0.1	92.62	101.63	2.29	113.90	92.00	101.09	138.82	100.00	100.11
World Ex. So. Af. (2342)	115.23	+0.2	93.56	101.92	2.50	115.02	92.90	101.34	139.47	100.00	99.57
World Ex. Japan (1946)	101.66	+1.1	82.54	95.06	3.81	100.55	81.22	93.78	134.22	92.98	100.45
The World Index (2403)	115.35	+0.2	93.66	101.88	2.51	115.18	93.03	101.31	139.73	100.00	99.58

Base values: Dec 31, 1986 = 100
Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd.1987
Constituent changes : Deletions ; Incitec (Australia) & Southland (U.S).
For World Index year-end constituent changes see page 19.

MONEY MARKETS

UK rates up on inflation fears

INTEREST RATES moved up in London last week, on fears about a rise in the rate of UK inflation next year. The nervous tone also reflected a weaker trend in sterling, on doubts that last week's compromise oil production agreement by *Opec would* maintain prices of around $18 a barrel.

UK clearing bank base lending rate 8½ per cent from December 4

Nomura forecasts that oil prices will be around $15 a barrel during the first quarter of next year, but Morgan Grenfell argues this may be a blessing in disguise for the UK economy.

A fall of $1 a barrel directly damages the balance of trade by £250m per year according to Morgan Grenfell, but this is partly offset by other factors and is relatively small in the context of the whole economy.

A rise in the borrowing requirement from lower tax receipts is also not regarded as a problem, particularly since the PSBR to date for the present financial year shows a net surplus.

If the foreign exchange market begins to accept the arguement that oil is no longer of overriding importance to the UK economy attention may turn to other factors, including growth and inflation.

Economic growth should be above 4 p.c. this year, according to Kleinwort Grieveson, with inflation averaging 3.8 p.c. for the year, leaving growth higher than inflation for the first time since 1964.

Nomura does not think a cut of ½ p.c. to 8 p.c. is out of the question by April, but the general view is that strong growth will increase inflationary pressure limiting the downward prospects for rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.18) 3 months US dollars		6 months US Dollars	
bid 8	offer $8\frac{1}{8}$	bid 8	offer $8\frac{1}{8}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	4.63	Three year	8.03
Broker loan rate	$8-8\frac{1}{4}$	Two month	5.36	Four year	8.28
Fed.funds	$6\frac{3}{4}-7$	Three month	6.13	Five year	8.41
Fed.funds at intervention	$6\frac{3}{4}$	Six month	6.68	Seven year	8.71
		One year	7.11	10-year	8.87
		Two year	7.80	30-year	8.93

BANK OF ENGLAND TREASURY BILL TENDER

LONDON MONEY RATES

WEEKLY CHANGE IN WORLD INTEREST RATES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 34,709